







# LABOUR'S PLAN FOR PLENTY





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by

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## CHAPTER I

### INTRODUCTION: THE GENERAL ELECTION

IT BEGAN with the Blackpool Conference of the Labour Party at Whitsun, 1945. From the moment that Winston Churchill rejected Clement Attlee's plea for a postponement of the General Election until the autumn, the excitement began to mount. Most people recognised that Britain, in the closing stages of its six long and terrible years of war, was launched on the most decisive election campaign in its history.

There were few who expected the result. The massive prestige of Churchill the great war-leader, whose well-known face appeared even bigger than life-size on tens of thousands of hoardings from Glasgow to Bristol, from Sussex to Cumberland, would surely be enough to stampede the electorate as certainly as it was stampeded by that other Khaki Election which followed World War I. But the political prophets were wrong—hopelessly wrong—and members of the Labour Party who had faith that this time the people had determined not to shape the new Britain in the pattern of the old were proved abundantly right. The Labour Party was returned triumphantly to power. The voters, on that day of July 5th, 1945, turned to the socialists, who had never before, in the forty-five year history of their Party, won a majority for their policy of radical social transformation. It was the beginning of a new era in British politics, the sign of a revolutionary change, likened by Harold Laski, the Labour Party Chairman, to the change which with the Reform Bill of 1832 brought the rising middle class to power. Britain had pioneered in 1832; it was going to pioneer again in 1945.

The cities of Britain were solidly won: 48 out of 62 seats won in London; 10 out of 13 seats in Birmingham; 9 out of 10 seats in Manchester; 8 out of 11 seats in Liverpool. The middle-class dormitory suburbs of the cities were won. And, surprise of surprises, at least the outer works of embattled Tory strongholds in the rural counties were captured by the Labour forces. Norfolk, Suffolk, Essex and Cambridge all had Labour majorities. The Tories had suffered their greatest defeat since the Liberal success of 1906, and Labour had gained the most significant victory in a century.

The Labour Party, with a net gain of 239 seats out of the

total of 640, came back to the House of Commons with 393 M.P.s against the 198 of the Tories and the 12 of the Liberals. These Labour M.P.s represented the new spirit abroad in Britain and were a worthy cross-section of the British people. Two-thirds of them were fresh to Parliament and many of the newcomers were young men and women; they lowered the average age of Labour M.P.s from 56 to 43. 68 came direct from service in the Army, Navy or Air Force; about 150 were manual workers, 44 lawyers, 49 University and school teachers, 26 journalists, 16 managers and technicians, 15 doctors, dentists, etc. Eight out of the 21 women were working housewives.\*

One outstanding characteristic of the M.P.s is that, unlike Tory leaders, who are drawn mainly from the ranks of the hereditary ruling class, they very nearly all spring from one or other of the great popular and democratic organisations of the people. They have had their training either in the Trade Unions which working men have gradually built up to their present eight million membership, and whose existence is one of the surest safeguards of democracy; or in the Co-operative Movement, which, although of vast size, with nine million members, is democratically run by its consumer-members themselves; or from the local authorities which perform so many vital functions in our society and whose vitality is guarantee against excessive concentration of power in the central Government. Leaders of the Labour Party more than of any other party know that democracy cannot be strong unless it reaches right down into the lives of the people, and unless its citizens, by taking an active part in the government of society, become the rulers rather than the ruled.

### *The Change in Prospect*

This election victory was significant because the Labour Party that won at the polls had a long-term plan for social change realisable in full only over many terms of Parliamentary office; it only offered an instalment in its election programme set out in *Let us Face the Future*. It wants to enlarge the sphere of public enterprise step by step as part of a great adventure in socialist planning. It believes that the twin objects of economic policy—to raise production and to distribute the product more fairly—can best be secured by an extension of socialism. Its ultimate object, as defined in the Constitution of the Party, adopted in 1918, is:

\* For an analysis see *The General Election 1945 and After*, by Margaret Cole. Fabian Society.

“To secure for the workers by hand or by brain the full fruits of their industry, and the most equitable distribution thereof that may be possible, upon the basis of the common ownership of the means of production, distribution, and exchange, and the best obtainable system of popular administration and control of each industry or service.”

Socialists wish to gain control of the economic environment whose mastery science has brought within our grasp. Political parties have so far been at the mercy of this environment; whenever depression overtook the economy, defeat overtook the party that had power. The Labour Party intends to change all this by controlling the economic environment in the interests of all the people. It intends to make the public interest the only test of public policy and public service the motivating incentive of our society.

The war has shown how effectively people do respond to non-monetary incentives: the pilot of a Lancaster did not take his plane through the thick of a flak barrage because his salary would be pushed up a few pounds for doing so; the workers in the war factories did not spurt production after Dunkirk merely because of the additional money in the wage-pocket. The Labour Party, too, does in its own way represent a rejection of the theory that it is only greed which makes people exert themselves: it has become the powerful political party it is, and the Government of Britain to-day, as a result of the work and devotion of millions of working men and women who freely gave their time and their energy and their money. What can be done in war and in the Labour Party can be extended until it embraces the whole of our way of life.

Labour wishes to create a new society based on principles of co-operation at home and, so far as its influence extends, in the world at large. The Labour Party wants every individual to be free to develop his own personality relieved of the petty struggle for existence. Socialists stand for freedom but know that freedom without controlled economic and social change is doomed. The State, they feel, is in a democracy not the enemy but the servant of liberty. Mr. Dalton, Labour's Chancellor of the Exchequer, was their spokesman when he said (in the House of Commons on February 5th, 1946) that:

“we must make our plans, aiming at full employment, a fair distribution of wealth among the different sections of the community, and the best use, in the national interest, of all our resources, whether physical or financial. These plans must not



be mere essays; they must be consistent with practical possibilities. They must not be too rigid or hidebound. They must be capable of continuous adjustments in the light of changing conditions. We shall never be able to sit back, as some planners imagine, and close our eyes, and let the plan take charge like one of the automatic pilots in an aeroplane. It was said, long ago, that eternal vigilance is the price of liberty. Eternal vigilance is equally the price of successful planning. And without successful planning, there is no liberty for the people."

Mr. Morrison was also their spokesman when he said (at the Bournemouth Conference on June 13th, 1946) that:

"Economic planning is the firm basis for true liberty. The Socialist vision is a great libertarian conception. The deliberate organisation of material things is the only safeguard of our individual freedom; in fact, the more we advance towards socialism the more we shall need individual initiative, individual enterprise, and all the rich pattern of individual liberty. The British people will show to the world the way to successful practical democracy—the people working for the people."

The British way to socialism is the way of democracy. The existence and preservation of political democracy therefore condition the whole pace of the socialist programme. For it is inherent in democracy that the Opposition should always have the opportunity to express its criticism with a view to winning the support of the people away from the Government. But if the Opposition is to have this right, it follows that there must be full parliamentary debate of all the socialist legislation which is introduced, so that the Opposition can have the chance to keep its point of view before the public; and another purpose of debate is to discover flaws in the Bills which are presented. However many very necessary reforms are made in Parliamentary procedure, full debate is bound to take time, and this means that the sheer amount of legislation which can be passed in any given year or period of five years is limited. The result is that the approach to socialism must be gradual. That is one reason why the Labour Party programme at the election of 1945 did not embody 100% socialism, but only an instalment of it. When the whole 1945 programme has been completed there will still be a mixed economy, although the province of public enterprise will have been widened. And although a great stride will have been made towards the egalitarian society, it certainly will not have been

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achieved in full. A socialist society may be attained by 1960, not by 1950.

There is another reason why it is desirable to create socialism gradually. The reason is that the new public servants who are needed to run the Departments of State and the nationalised industries will take time to train. Admirable in many ways as it is, the existing Civil Service is not equipped to do a positive job of initiating change and managing economic institutions; under capitalism its chief function has been the negative one of preventing the wrong things from being done, instead of ensuring that the right things were done. The Civil Servants of socialism will have to be drawn from industry and science and be versed in economics and psychology. They will need to have a thoroughly positive and constructive attitude. Until such a new Civil Service is brought into existence it would inevitably reduce efficiency to establish complete socialism within the space of five years. Only if there were a political strike on the part of the present owners of business would it be worth while, indeed essential, to proceed at a far more rapid pace than would be desirable on grounds of efficiency alone.

#### *Workshop of Democracy*

To achieve socialism, while preserving and enlarging the full freedom of the individual and the structure of political democracy, will be in many ways far more difficult than it would be if there were a sudden and necessarily violent revolution. As a problem in technique, it cannot be easy to provide the framework within which privately owned industry can function while some sectors of the economy are being directed by public enterprise. Planning by persuasion is bound to be technically more complex than planning by coercion. But there is no doubt about the significance for the world of what is being attempted in Britain. People everywhere will be watching to see whether in practice planning according to socialist principles can be reconciled with freedom. In no other major country has this task ever been tackled except in war, and then some freedoms were sacrificed in the interests of military victory. The Soviet Union has sacrificed political freedom to the dictates of socialist planning. The United States has hardly begun to plan its economy for the public good. Most other countries are at one stage or another between these two poles; and many of them are in a condition far more like that of Britain than of either the Soviet Union or the United States. Thus Britain is launched on a pioneering venture which may have as great an influence on the world as the

Industrial Revolution, which was started in this "workshop of the world".

The object of this book is to throw light on the aspirations and practical policies of the Labour Party in the form of a necessarily brief review of, together with some purely personal comment on, some of the most significant acts of the Labour Government in the year since it took office in the summer of 1945. The book begins with home policy.

## PART I. HOME POLICY

### CHAPTER II

#### THE CAPITALIST FAILURE

MEMBERS OF other political parties may have common attitudes, but the election programmes they advance are mainly improvisations; it would defeat a Celestial Brains Trust to discover any thread, other than the repetition of anti-socialist cries, running through the policies of the Conservative Party in the last quarter-century, and the Liberals have been hardly more consistent. But the Labour Party has, since its foundation as the Labour Representation Committee in 1900, held to a coherent body of principles based on a detailed criticism of capitalism, whose defects are many and glaring. To appreciate what the Labour Government is driving at, and why the Labour Party won the last election, it is essential to realise what these defects were, as revealed in pre-war Britain.

One of the cardinal weaknesses of capitalism is that uncontrolled private enterprise is incompatible with the observance of social priorities. Under unrestricted capitalism the choice of what shall be produced is left to the bargaining of the market; if there is a profit to be made in the bottling of strawberries in wine then it will be done even though children in slum districts are suffering from malnutrition which could be remedied if the land and labour were used not for growing and bottling strawberries, but for the growing of green vegetables and their supply to the children. Socialists want to see the most urgent needs satisfied first, and this involves a conscious decision by a public authority about the priorities of need and a plan to ensure that the priorities are observed. "First things first", said the Labour Party at the General Election. "There must", said *Let us Face the Future*, "be priorities in the use of raw material, food prices must be held, homes for the people must come before mansions, necessities for all before luxuries for the few."

The most urgent social needs are, in the view of socialists, the needs of those who are suffering from poverty. These needs are

the most urgent because poverty, like insecurity and the frustration of talent due to absence of opportunity, excludes happiness. A man cannot be happy if he is the victim of ill-health because he is too poor to buy decent food or live in a good, sound house. Nor can the mother who has only a pound or two for the house-keeping, and is constantly skimping and worrying and sacrificing so that her children and husband shall get enough to eat. Nor can the unemployed father who realises that he is failing to get enough money to keep his children as well clad as their school-fellows or provide more than bread and scrape on the day before the dole is paid. The abolition of poverty, involving a sweeping reorganisation of our economic life, is a necessary condition of happiness for the individual.

In pre-war Britain poverty was far too common. The average standard of living certainly rose between the two wars, although not as rapidly as in many other countries. It was 20 per cent. higher in 1937 than in 1924. Even so, in the middle and late thirties there were still millions of people living in the depths of poverty. A number of social surveys showed that between one-tenth and one-third of working-class families had less to spend on food, clothing and the other basic necessities than the very minimum which was thought just adequate for the maintenance of health and working capacity, and that large families were the chief sufferers (see Chapter VI). Sir John Boyd Orr (now Director-General of the United Nations Food and Agriculture Organisation) adopted higher standards of adequacy for a nutrition survey he made in 1935; and found that 13½ million people out of a total of 47 millions were gravely undernourished.

### INEQUALITY

Unfortunately, the needs of these under-privileged citizens were not regarded as priorities. Instead they were allowed to go unsatisfied while simultaneously the desires of others were satiated. Great poverty coexisted with great wealth. Inequality was itself a major cause of poverty, inasmuch as richer people were able to consume more, while others had less, than enough. Some children, for example, were so chronically under-nourished that their physique was ruined by rickets, while others had five-course dinners in large houses; some well-off invalids were able to secure access to expensive medical treatment, while others who were more seriously ill had to wait long weeks or months for hospital beds to become available. Socialists looked upon inequality as the major evil of capitalism; in this they were almost

alone. Other parties regretted unemployment and inefficiency, even if they looked on them as uncontrollable acts of Providence; only socialists made the attack on inequality one of the centre-pieces of their political philosophy.

Before clarifying the socialist criticism it will be as well to examine the broad facts about the extent of economic inequality. The annual national income—that is, the money value of the annual flow of goods and services produced by the nation as a whole—can in the first place be divided between wages and all other kinds of income, such as profits, salaries, rents and interest. Wages are the chief source of the incomes received by the poorer (although *some* poor people live from salaries or dividends), while the other types of income, mainly derived from the ownership of property, are those received by the richer members of the community. Income inequality is therefore measured in part by the share of wages in the national income. Here the vital fact is that the share of wages is only about 40% of the total, and has not substantially increased in the last sixty years, not even during World War II.

Since there are, of course, far more wage-earners than there are people living on salaries, profits, rents or interest, it follows that the distribution of incomes between individuals is very unequal. In 1937, for instance, out of a total population of 47,300,000 there were 40,550,000 people—more than eight out of every ten people—dependent on incomes below the level of £250 a year (usually considered the upper limit of working-class incomes) and 6,750,000 people with more than £250 a year. There were 258,000 people in families with incomes of between £2,000 and £10,000 per year and 22,000 with family incomes of over £10,000, of whom 300 were in families with more than £100,000 a year. Inequality was such that one-twentieth of 1% of the population received 4% of the total amount of Britain's income, one-half of 1% over 10% and 5% over 30%.\*

The distribution of property is even more fantastically unequal than the distribution of income, for whose inequalities it is largely responsible. The total personal capital in Britain in 1937 was £21,000 millions and 10% of this was owned by about 5,000 people. One-half of 1% of the population owned 40% and 2.5% two-thirds of all the nation's capital. Up to the war neither the distribution of property (despite the incidence of death duties) nor the distribution of income showed much sign of becoming more equal.

\* T. Barna, *Redistribution of Incomes through Public Finance in 1937*. Oxford, 1945.

But, it may be asked, surely there was a great redistribution of income through taxation and the social services? In fact the working class (those with less than £250 p.a.) paid in indirect taxes for almost the whole of the Government services which they received. The war brought about a more substantial redistribution of income. Income taxes, which bear more heavily on the rich than the poor, were raised. One result was that those with incomes of £2,000 p.a. and over received after tax a total of £225 millions in 1944, as compared with £340 millions in 1938. A steep rise in receipts from taxes on tobacco and beer was partly offset by food subsidies. But if a Labour Government had not been elected the pattern of the distribution of national income would probably have merely reverted to what it was before the war.

### *Socialist Criticisms*

Socialists object not so much to inequalities of earned, as of unearned income. What useful function, they ask, is performed by the person who draws an income of £5,000 a year from his block of 100,000 shares, or, in an extreme case, by the slum landlord who goes on extracting rent out of his tenants year by year, rent which has in total maybe paid dozens of times over for the original cost of the nineteenth-century tenement which he owns? Why, then, should the owner of the shares or the land receive tribute from the people as a whole? Why should he who does no work have such a claim to the services of those who do? In the small firm and the private company the owner of the business frequently does, it is true, still work himself and takes part in the management of the property, for which he is entitled to a reward. But increasingly the economy of the country is being dominated by big public companies which are largely run by paid managers and where the normal shareholder, although he does nothing for the company, is legally entitled to a share in the profits.

The least justifiable form of unearned income is that from property which cannot be, or at least in our civilisation is not, taken into the grave, but is inherited according to the dead person's wishes. Since the greater part of unearned income in pre-war Britain was, in fact, inherited, most of the rich people were rich simply because their fathers had been rich before them. Because their ancestors had once owned a few green fields in what came to be London, some present-day Dukes had an income from ground rents which entitled them to claim the services of dozens, if not hundreds, of butlers and maids,

chauffeurs and secretaries, ghillies and gardeners, not to mention such workers outside the Dukes' households as the skilled coach-builders who made the special bodywork for their Rolls Royces, the French peasants who grew the grapes for their champagne, the hard-working old men in the Potteries who decorated their expensive china. Because the great-great-grandfather of a baby boy born in a London nursing-home had been a pioneering industrialist, that baby boy would maybe have for life an annual (post-tax) income from dividends on inherited stock of £10,000, giving him a lifelong claim (at the average pre-war net output per head) to the full-time services of nearly fifty people; and if the baby boy is no spendthrift he would, when he becomes an old man and dies, be able to pass on the income intact to his children or grandchildren. Thus in the past century or more those fifty or more people who could have been making necessities for the under-privileged have been serving one or another of one of the great endowed families of Britain, no member of which has any *need*, although they may sometimes have performed public service of the highest value, to contribute anything to the welfare of their fellow-citizens. And so, through inheritance, income inequalities perpetuate themselves indefinitely—the rich are rich because their parents were rich, and the poor are poorer because the rich are rich.

### *Social Monopolies*

Membership of the privileged class of the wealthy few also confers another hereditary advantage: those who do work tend to have the pick of the well-paid jobs. The rich can afford the best of education for their children; a prep. school, a public school, Oxford or Cambridge, travel, entry into one of the highly paid professions like the Bar or stockbroking. Their children actually have higher earning power because so much has been invested in their training. Naturally, the public-schoolboys-become-men get the pick of the jobs; in 1939 out of a representative collection of bishops, deans, judges, magistrates, highly paid Civil Servants, Governors of Dominions, and directors of banks and railways, about three-quarters came from the public schools.

The existence in Britain of two sets of schools, one for the rich and one for the poor, has a specially harmful social as well as economic effect. As a result, although income differences have been no sharper in Britain than in the United States, where there has on the whole been only one school system, class divisions



have been much more marked in Britain. Not only have the members of the upper classes had larger incomes, but, being the products of the "public" which are in reality private schools, they have different outlooks, and even different ways of talking; they have been taught to give orders, while the poor, most of whom have been unable to continue their education beyond fourteen, have been taught to obey. This "virus of class" has done more than anything else to instil poison into British society.\*

Then the rich have influence; they know (or are themselves) the Chairmen of the Boards or the Managing Directors, and can by putting in a good word in the right place cast the good fairy's magic spell over their sons' careers. "It's not so much what you know but who you know" has become the accepted explanation of why certain young men, worthy but without the necessary ability, have landed highly responsible jobs. By a combination of wealth and influence the sons of the rich have, until 1945, even been able to procure safe Tory seats in Parliament.

From the point of view of the well-off and well-connected young man this may be very pleasant, but from the point of view of society it is an intolerable waste. Many of the leading positions in the professions, the Civil Service and industry have been reserved for members of the privileged class, and children of the humble, whose innate ability would have equipped them for better positions, have (apart from the very few absolutely outstanding persons whose elevation no barriers can stop) been effectively debarred from competing. Clerks who would have made fine judges or Permanent Secretaries of Departments of State have consequently been forced to spend their lives as minor book-keepers, and thousands of coalminers or agricultural

\* Similar charges have been made by English critics of privilege throughout history. Thus John Ball, one of the leaders of the fourteenth-century Peasants Revolt in England, is reported by Froissart to have spoken publicly as follows:

"My good people," said he, "things cannot go well in England, nor ever will, until all goods are held in common, and until there will be neither serfs nor gentlemen, and we shall all be equal. For what reasons have they, whom we call lords, got the best of us? . . . If we all descended from one father and one mother, Adam and Eve, how can they assert or prove that they are more masters than ourselves? Except perhaps that they make us work and produce for them to spend! They are clothed in velvets and in coats garnished with ermine and fur, while we wear coarse linen. They have wines, spices and good bread, while we get rye-bread, offal, straw and water. They have residences, handsome manors, and we the trouble and the work, and must brave the rain and the wind in the fields. And it is from us and our labour that they get the means to support their pomp, yet we are called serf and are promptly beaten we fail to do their bidding."

labourers who would have held down jobs as directors of great industrial enterprises have never had the chances they needed. Society has been the loser.

Modern economists, under the influence of Keynes, have given powerful reinforcement to the moral considerations which have impelled socialists to condemn inequality of income. Keynes, in his great book *General Theory of Employment, Interest and Money*, refined the doctrines of such earlier socialist economic writers as J. A. Hobson, who had argued that unemployment was due to under-consumption or inadequacy of purchasing power. Keynes and his followers have shown that under-consumption was in its turn the result of income inequality. For the rich spend a smaller, and save a larger, proportion of their incomes than the poor. Therefore the way to increase spending on consumption is to redistribute incomes by taking from the rich and giving to the poor. Keynes considered that his "argument leads towards the conclusion that in contemporary conditions the growth of wealth so far from being dependent on the abstinence of the rich as is commonly supposed, is more likely to be impeded by it. One of the chief social justifications of great inequality of wealth is therefore removed." This is the most important lesson of modern economics, and one which completes the socialist case against economic inequality.

Inequality is, to summarise, a major disease of capitalist society. Although the confiscation of all incomes above £1,000 in 1937-8 would not have yielded more than about £225 millions, this annual sum would, if spent on the needs of the poor, have been enough to banish all extreme poverty from Britain. But inequality had several other harmful effects. As its consequence, educational and other benefits were conferred on many children merely because their parents were rich—a qualification entirely irrelevant to ability. As its consequence, society was split into classes which were often actually and always potentially hostile; industrial relations were embittered by the incessant struggle between those with little money who lived on wages and those with more who lived on profits; co-operation between management and workers for the purpose of raising output was frustrated because workers knew that if they did help to increase production the probable beneficiaries would only be the shareholders, who themselves did little to add to the nation's wealth; envy and jealousy were fostered; a sense of fraternity and community embracing everybody was outlawed; a universal culture could not be created. And behind income inequality lay the inequality in the distribution of power, which gave one largely hereditary

class most of the social prestige and most of the economic authority in a capitalist country like Britain.

### UNEMPLOYMENT

Even if the national income had been fairly shared out between all citizens according to priorities of need, the standard of living would still have been far too low. Not only were the slices of the national cake unequal, but the whole cake was too small. Total production was less than it should have been because the efficiency of production was too low and because resources were wasted through unemployment.

Indeed, if the tens of thousands of individual employers in the capitalist countries had been able to provide work for all who sought it, socialists in Britain and elsewhere would in all probability have remained a tiny band of enthusiasts writing pamphlets which no one read and shouting hopelessly at passers-by who refused to listen. But in no democratic capitalist country has there ever been full employment except in time of war, and most capitalist governments have so far shown themselves powerless to arrest the dread march of the trade cycle which has at regular intervals cast millions out of work; in every capitalist country there were some people near to starvation while men who could have grown food and made all manner of useful things were prevented from working. It is no wonder that people, confronted by this breakdown of capitalist economy, have increasingly turned to those who wished to create a new and better-organised kind of economy and a new and saner kind of society.

Unemployment, by enforcing idleness on those who were anxious to work and wanted to produce food and houses and clothing which they and their fellows needed, made whole nations poorer than they would otherwise have been. Between 1929, which was far from being a boom year, and the bottom of the depression in 1932, Britain's national income fell in money values by more than £500 million—from £4,384 million to £3,844 million; the loss in the United States was very much greater.

This reduction in the national income, which was really everyone's responsibility, would have been serious enough even if everyone (including the unemployed) had taken a proportionate cut in their incomes. But in fact those who took the loss were the unemployed. Immediately they were given the sack their incomes fell, even where there was public insurance and assistance, as in Britain. Idleness is bound to be demoralising, but

it need not be too dreadful if the idle person has a reasonable income; indeed, a good many rich people who draw profits from the labour of others actually prefer not to work. But for a working man without savings unemployment in Britain automatically meant that he and his family were condemned to the most extreme poverty and such a spartan existence that even the *Daily Herald* was an unwarranted luxury. In January, 1933, there were 2,309,050 men and boys and 478,000 women and girls registered as unemployed; when allowance is made for children and wives, and white-collar workers who would rather slowly starve behind discreet lace curtains than register at the Labour Exchange, there must have been well over 5 million people dependent on niggardly weekly payments of a few shillings each per head. As serious as the loss of money, was the bitter loss of self-respect felt by men who had to admit that they could not provide for themselves or their families.

The composition of this 5-million-strong army was constantly changing as some men found jobs and others got the sack. Although the number of long-term unemployed was growing steadily up to the war, the average term of unemployment was fairly short. It is probable, therefore, that at one time or another in the thirties more than half the workers of the country were involuntarily out of work. And at all times for every one worker who was without a job there were many more who feared that they themselves would soon be out of work. In a capitalist society hardly anyone was sure whether he would still be in a job next week, next month, next year. This fear was the chief cause of the extreme insecurity which cursed capitalism before the war and which the people of Britain have determined never to endure again.

### *A Growing Disease*

The Great Depression which struck against the capitalist economies of the world in the years after 1929 was no new phenomenon. Other depressions have occurred at fairly regular intervals right back to the beginnings of industrial capitalism. In Britain the first quantitatively verifiable depression took place in 1797, and up to 1914 there were, at average intervals of eight years, periodic depressions in economic activity. The business cycle in the United States can be traced back to 1795, and the average duration is also about eight years. But the most significant fact is that the depressions have been becoming more severe. In Britain, for instance, unemployment was (as calculated by Sir William Beveridge) between two and three times more

severe in the inter-war years than it was in the period 1883 to 1913. Even in the peak years after World War I there were almost as many unemployed as in the worst of the depressions in the nineteenth century. It appears that capitalism was proving itself increasingly unable to bring about anything like full employment.

One especially grave problem in Britain was the existence of great pockets of above-average unemployment in the Depressed Areas, such as South Wales, the North-East Coast, the North-West Coast, and the Lowlands of Scotland. These areas were the homes of some of Britain's staple industries, such as coal, iron, steel, tinplate and shipbuilding, which had been highly prosperous up to, but were hit by the decline in exports after, World War I. It was inevitable that employment in these industries should have contracted. That would not have mattered so much if there had been other expanding industries in the same districts to take up the slack. In the absence of any plan for industrial location, factories in growing industries, such as electrical engineering, rayon, motor vehicles and furniture-making, were, however, started by the private owners wherever they pleased. Most of the private owners chose places like the Midlands or London, instead of the Depressed Areas. The result was that on the one hand there were sprawling communities like London and Birmingham, with more and more people packed into a congested urban space, and with travelling conditions becoming more and more difficult; on the other, there were the Depressed Areas, containing unemployed people whose only hope of a job was to move from their own cherished communities into the already over-crowded cities. Social capital in the form of houses, shops, roads and public utilities in these Areas was in any case being shamefully sacrificed to the right of private capitalists, irrespective of the social consequences, to do just as they wished with their own property.

#### INEFFICIENCY

Even the economic resources in use were not being employed as efficiently as they should have been. For a hundred years or more Britain led the world in industrial development. The new methods of machine production, based on the power of steam, were largely pioneered in Britain, and afterwards exported to other countries, and especially to the countries of Western Europe and the overseas territories to which Western Europeans migrated. The standard of life in Britain, unsurpassed anywhere, was the object of universal envy. But in the twentieth century

and progressively since World War I British industry has fallen behind that of other countries. Partly because so many of its factories, mines and mills were established in the nineteenth century, they have not, with shining exceptions, been so efficient as the plants built in other countries at a later date, when technological advance had taken further strides forward.

During the closing phases of the war several official reports gave sensational backing to the charges which the Labour Party had been making against the efficiency of capitalist industry. Thus, the Report on Cotton of the Platt Committee, which had been sent to review the methods of the United States, recorded that "conditions throughout almost the entire British cotton weaving industry are basically similar to those which existed forty to fifty years ago"; and "British productivity per man-hour (calculated on the basis of total output and total labour force) is less than American by approximately 18 to 49 per cent. in spinning, by 80 to 85 per cent. in winding, by 79 to 89 per cent. in beaming, and by 56 to 67 per cent. in weaving". The Reid Report on Coal Mining showed that in the twenty-five years up to 1938 the rise in British productivity was less than in any other country: British output per man-shift increased only 13% between 1913 and 1938, as compared with 59% in Poland, 62% in Upper Silesia, 64% in the Ruhr and 101% in those mines which the Dutch Government had nationalised. These two industries, although among the worst, were not alone in their backwardness. One economist—Dr. Rostas—writing in the *Economic Journal* of April 1943, made a general comparison of British productivity with that of the U.S.A. and Germany. He showed that the annual pre-war net output per head in all British factory trades was only £264, as compared with £294 in Germany and £595 in the United States, where the working week was also shorter than in Britain.

It may seem paradoxical to make out a case for British socialism by reference to the efficiency of industry in the capitalist United States. However, if a rather different basis is taken, a comparison between the *rate of increase* in production in Britain and socialist Russia would probably have been even more unfavourable to Britain (and the capitalist U.S.A.). Some indication of this is given by the fact that between 1913 and 1938 U.S.S.R. coal production rose from 29 to 132 million tons and of electricity from 2,000 to 37,000 kilowatt hours. Whatever the reasons for the relative inferiority of British industry, the fact is that in Britain capitalism was not able to bring efficiency up to the level of some other industrialised countries: capitalism had

ample opportunity and received every encouragement from Tory Governments—but it failed. The only significant response of British industry to the needs of the time was to speed up the growth of monopoly.

### MONOPOLY

From Marx onwards socialists have repeatedly called attention to the gradual but steady replacement of private competition, as the typical form of capitalism, by private monopoly. Many industries are now dominated by a few companies. Two Board of Trade statisticians, H. Leak and A. Maizels, in "The Structure of British Industry" (published in the *Journal of the Royal Statistical Society* in 1945) showed, in the most convincing detail, how the production of dozens of pre-war commodities, from baths to linoleum, from metal windows to newsprint, was dominated by not more than three large concerns, while at least 118 separate commodities were produced wholly by one or two firms. The names of many of these great monopolies are already well known. Imperial Chemical Industries, Ltd. (capital £74 millions) \* has, as a result largely of Government backing, gained power in a large number of trades, such as explosives, dyes, chemical manufactures, fertilisers, paint, colour and varnish, and copper and brass smelting. Lever Bros. (capital £73 millions) is another industrial giant which controls seed-crushing, cattle-cake, margarine, soap, candles and fish oils. One man—J. Arthur Rank (who is also the chief force in flour-milling)—dominates the British film industry. Other powerful monopolistic concerns are Imperial Tobacco Co., Ltd. (capital £50 millions), Courtaulds, Ltd. (capital £32 millions), Dunlop Rubber Co., Ltd. (capital £16 millions), Distillers Co., Ltd. (capital £13 millions), United Shoe Machinery Co., Ltd. (capital £14 millions), J. P. Coats, Ltd. (sewing-thread, capital £20 millions), Tate & Lyle, Ltd. (capital £10 millions), and there are many hundreds of other companies in a monopoly position in their own industries.

In addition to the single monopolistic firms there are large numbers of trade associations, many of which either do, or intend to, control prices or output. Classic examples are the Electric Lamp Manufacturers Association, which has succeeded over many decades in keeping up prices of electric bulbs, and the Millers Mutual Association, which was backed by the two big millers—Ranks, Ltd., and Spillers, Ltd.—who wished to reduce "excess capacity" in the industry. PEP (Political and Economic Planning) estimated in *Planning* No. 215 that the number of

\* *Monopoly in British Industry*, W. Arthur Lewis. Fabian Publications, Ltd. 1s.

British Trade Associations, consisting of member-companies, firms or individuals in a given trade, had jumped up from 500 in 1919 to 2,500 in 1944. To-day there is hardly a single commodity which is not affected in one way or another by an association either of producers or retailers, many of which enforce restrictive output quotas and fix prices at levels so high that the least efficient firm can continue in production. The Englishman who looks round his bedroom or his kitchen at his various possessions is unable to see anything for which there is not an appropriate trade association. There are also strong international associations and cartel arrangements for dividing up world markets.

### *Consequences of Monopoly*

Monopolists cannot be left to do whatever they wish; they may be harmful from the economic and are certainly dangerous from the political standpoint. Monopolistic is often more efficient than competitive production, mainly because large-scale producers are often monopolists and large-scale production has the advantages considered in Chapter IV on Nationalisation. But there is no assurance that the benefits of their efficiency will be passed on to the consumer. All capitalists, whether competitive or monopolist, are (according to the liberal economists) motivated by the one aim of greed; but the difference between the two is that the monopolist can restrict his output and raise his prices and profits as high as he likes, while if the competitive producer raises his prices (and profits) it is likely that another producer will undercut in the hope of selling more, so that prices and profits will be brought down. The dilemma is that competition often protects the consumer against excessive prices, although it does not ensure efficiency, while monopoly often makes for efficiency, although it deprives the consumer of protection against exploitation.

A further result of the growth of monopoly is that profits are raised, the rich are made richer than they would otherwise be and unemployment is aggravated. If it had not been for the parallel growth of trade unions, keeping up wages, the share of wages in the national income would by now have been much less than 40%.

The most serious charge is that monopolies are a danger to democracy. Their growth, which is common to every capitalist country, concentrates more and more power in fewer and fewer hands. *Let Us Face the Future* roundly condemned the men who "had only learned how to act in the interest of their own bureau-



cratically-run private monopolies which may be likened to totalitarian oligarchies within our democratic state. They had and they felt no responsibility to the nation." In every capitalist country big business attempted to manipulate State policy for its own ends. Thus, in France the Confédération Générale de la Production Française, in Britain the Federation of British Industries, and in the United States the National Association of Manufacturers, became the aggressive spokesmen and national pressure-groups for business. Protective tariffs were sought, and behind tariff walls great monopolies like the British Iron and Steel Federation were formed. Government sanction was obtained for rationalisation programmes, which were in reality thinly disguised efforts to enthrone the monopoly power of the few. Big business in Britain and the United States even had its own foreign policy, forming restrictive cartels with its opposite numbers in the Fascist States; the Federation of British Industries reached a comprehensive agreement with the Nazi Reichsgruppe Industrie as late as March 1939, after Hitler had invaded Czechoslovakia. Business barons had no hesitation in backing Fascism as soon as political discontent threatened their own monopoly power. In Germany Hitler was financed by Big Business. In Italy the Fascist Confederation of Industries was at the root of the Corporate State. In Japan both economic and political life were completely dominated by the "big four" combinations of Mitsui, Mitsubishi, Sumitomo and Yasuda.

The socialist view is that either the people, through their own Government, will gain control of these great monopolies or the monopolies through *their* Government will gain control of the people. At the General Election of 1945 the people of Britain, in electing a Labour Government, decided in favour of the first alternative.

These are the faults which the resulting Labour Government is proceeding to remedy. It is securing a fairer distribution of the national income as part of an overall programme for meeting priority needs. It is putting into force its plans for maintaining full employment and raising industrial efficiency. It is reversing the trend towards ever stronger private monopoly by public control and by transferring vital industries to public ownership. These are the subjects of the following chapters.

## CHAPTER III

### FULL EMPLOYMENT

THE PEOPLE of Britain enjoyed full employment only twice in the first forty-five years of the twentieth century. The first time was between 1914 and 1918, the second between 1939 and 1945. It was only in war that Governments took responsibility for mobilising the economic resources of the nation for a common purpose. Only in war was the need for maximum production so pressing that the Government had to ensure, by all necessary means, that no one who could work was left idle.

That is the secret. In war there was an unlimited need for planes for the R.A.F., tanks for the Army, ships for the Navy. The Government, after balancing the needs one against another and determining priorities, purchased the munitions from private producers or manufactured them in its own factories. Spending is the clue to employment: during the war enough money was spent, mainly by the Government, to absorb into employment all capable of work. Spending was indeed so high that there was not only full employment, but a constant danger of incomes outstripping supplies.

The Labour Party declares that, although methods are bound to be different, the same principle must be observed in peace: production must be for need. Of course, the needs have changed. We do not want tens of thousands of planes, tanks and warships, but millions of new houses, thousands of new schools, hospitals and health centres, more and better food, more books and theatres and sports-fields. There is no limit to needs in Britain, let alone in the vast regions of the world where most people just about survive on a few handfuls of food a day. There is no limit to needs in peace any more than there was in war.

But what happens if we set about satisfying these limitless needs with a will? Naturally enough, there cannot be unemployment. Every person out of work means that some needs have to go unsatisfied. Naturally, too, the needs have to be graded in importance, because production is limited even if needs are not. It would be very fine if every adult in Britain could have a car and his own sailing-yacht. But it is much more important for

every family in Britain to have a good house and every child in the nation's schools to have a teacher who can give him individual tuition. So houses must come before cars, and more teachers be trained before more people start making sailing-yachts. We have to choose between all the different things we could do with our economic resources, and give preference to the most important.

This is where there is a divergence between socialist and conservative views about employment policy. Probably most members of the Conservative Party have very little idea what should be done to prevent recurrence of catastrophic economic depressions; their chief concern is that there should be no restriction on the freedom of the capitalist to do what he wishes with what they regard as the capitalist's own property, and they probably feel, despite the historical evidence to the contrary, that if the Government "bureaucrats" will only retire into decent seclusion, then employment will look after itself. Other Tory employers do not want full employment at all; with unemployment banished, they fear that their chief disciplinary weapon—the sanction of the sack—will no longer exist and there will be no curb on Unions' pressure for higher wages. But some Conservatives and Liberals and other people of no politics who guardedly subscribed to the famous White Paper on *Employment Policy* published by the war-time Coalition Government recognised that the Government should undertake responsibility for maintaining the level of employment. What they had in mind was some variant of the public works policy which was so widely canvassed in the thirties. What they wanted was that the Government should come to the rescue, whenever private enterprise failed to sustain economic activity, by various kinds of "pump-priming". The economic pump, they think, will run quite smoothly in normal times, but when it no longer does the job, let the Government step in and help out by priming the pump until it runs smoothly once more. When there is a threatening slump caused by a falling off in purchasing power, let the Government inject additional purchasing power by bringing forward investment projects, such as road-building or slum-clearance schemes, or by expanding consumers' spending by reducing taxation, or some such means. "Our opponents", summarised *Let us Face the Future*, "would be ready to use State action to do the best they can to bolster up private industry whenever it plunges the nation into heavy unemployment."

This may all be quite sensible; at least it is a policy. But there are one or two grave flaws. When employers, say in the radio industry, decide that the sales of radio sets are likely to fall, they

stop ordering new machine-tools, and the machine-tool manufacturers lay off some of their men, and the out-of-work men then have less to spend on radio sets, and the radio employers have to lay off men and further curtail their orders for machine-tools. That is what happens, on a large scale, in a slump. But it is not much satisfaction to the skilled fitter from the machine-tool factory to be told that the Government has the situation under control and that there is a job waiting for him as navy on a new bypass that the Ministry of Transport is building forty miles away. It would surely be unreasonable to expect workers employed in a privately owned factory to pack up their tools every eight years or so and go off to be employed on some scheme promoted by central or local government. And the fact is they would not go—not without a lot of pushing.

An even more serious objection is that public investment is mostly even more important than private investment, and so should rank higher in the scale of priorities of need. Certainly private enterprise should not, by some divine right, take first pick of the available economic resources, with public enterprise thrown in as a makeweight when times were bad. Because that is what the public works policy amounts to. When private employers were no longer able to provide jobs for their workers, the Government would advance with its slum-clearance or hospital-building programme. Some slums would be cleared and new houses put up, some new hospitals would be in process of construction, when the additional purchasing power created by the wages paid out by the Government would begin to raise demand for radio sets and cosmetics; the manufacturers of these would regain confidence in the market and would begin to recall their workers. At this point, with full employment once more re-established, the Government would be compelled, if faithful to its subsidiary role in the economy, to stop work on the slums and the new hospitals and wait until the radio and cosmetics and the other manufacturers sacked men again, when the slums could again be cleared and the next floor added to the hospital. The socialist view is that public, not private, enterprise should have the first pick of the nation's economic resources, and the main reasons are that the needs served by public enterprise are more urgent than many of the needs served by private enterprise—houses before cosmetic factories—and that public investment can be kept stable from year to year, instead of fluctuating wildly, as private investment has always done.

Of course, as long as private enterprise exists, there are from time to time likely to be reductions in the number of workers that

unaided private enterprise will be able to employ. And so the Government will have to be ready, when this happens, to offset the fall in private economic activity by expanding purchasing power through Government action. The Labour Government will, as the following pages show, be ready to expand spending in this way in an emergency brought about by a depression in private industry. But the main aim will be, by expanding the public sector of the economy and by raising consumers' purchasing power through fiscal policy, to stabilise economic activity over the widest possible range. The emphasis will be on prevention rather than cure. As during the war, the method of prevention will be to produce and distribute according to need; by clothing needs with purchasing power, the whole of productive capacity will be used to satisfy them.

### *The Next Few Years*

For the next year or so purchasing power would be sufficient to prevent serious unemployment, even if there were no Labour Government. But if controls over prices, raw materials and building were dropped, as the Tories advocated at the General Election, the ordinary people would suffer. Prices of food would rise so that the poor could not afford to buy as much as they have been doing, while the rich could, by spending more, obtain more. Road-houses for well-off motorists would be built before some of the blitzed houses in the poorer districts of our great cities were fully repaired. Cars would be sold at inflated prices on the home market instead of being sold abroad for foreign currency. A general inflation would be unavoidable, and the savings accumulated in war would therefore soon be exhausted. But while the inflation continued the going for private business would be very good. The boom might be short, but it would be a boom, simply due to that extreme shortage of goods in relation to purchasing power which is the legacy of the war.

In the war the Government found the money it needed for munitions and other expenditure partly from taxes and partly from the sums which people saved and lent to it. Production of civilian goods was greatly reduced, so that consumption had to be restricted; in 1943 there was, for instance, only about half as much clothing to buy as before the war, only one-fifth as much furniture and one-third as much hardware. But it was impossible for the person with more money than he knew what to do with to get more clothes by bidding up their prices, because clothes were rationed. The main outlets for spending were restricted; the National Savings Committee made its strong

appeal; and people put their money into savings. These savings constitute an enormous reservoir of purchasing power which is now ready to be drawn on as soon as the goods are available. For this reason there is a great market for consumer goods. Practically every company also has reserves built up during the war waiting to be spent on new capital equipment.

It will take time to produce the goods which people want and have the money to pay for. The munition factories have to be converted to the manufacture of peace-time goods, the men and women have to be demobilised from the Forces before they can take up peace-time jobs, some industries have to contract and others to expand: all of which takes time.

"On the domestic side of our economy", said Sir Stafford Cripps on February 28th, 1946, in the House of Commons, "the task with which we are faced is to refill the civil pipelines, so that there may be a plentiful flow out of them of consumer goods of all kinds for our people. . . . I think that people sometimes fail to realise that this process of recovery must be a slow one. Take, for instance, such a case as a cotton-mill. First of all, arrangements have to be made to release the cotton-mill from its wartime use whatever it may be. Then it has to be rehabilitated, refitted with its machinery, and made ready for cotton production. Then the staff and workers have to be collected and the whole process of manufacture started up and, when once it has been started up, and all that process has been gone through, it will take eight to twelve months before the first results from that mill are seen in the shops of the country. That necessarily means a delay, and we must, with this process of building up our domestic production, make a huge investment—a capital investment in stocks, an investment which has to be twice as great as our net capital investment in 1938."

So for a year or two civilian production will not be raised sufficiently to meet the current demand, and the demand, backed by savings, which has accumulated in the war.

#### NEW METHODS OF PLANNING

During this period new methods of, and attitudes to, economic planning are being developed which should stand the country in good stead in later years. Mr. Attlee explained these methods in the Manpower Debate in the House of Commons on February 27th, 1946.

"We set about reviewing the whole situation," he said, "and the first job we had to do was to try to see what our total resources of manpower were; we really embarked on this project in what is really a new way of attacking the problem. We attacked it from the point of view of manpower rather than of finance—our human resources rather than our financial resources. The forecast was that by the end of 1946, through the gradual process of demobilisation and change-over, the total manpower in the United Kingdom able and willing to work—men and women, civilians and Servicemen—would amount to 20 millions."

All Departments were then asked to state their requirements. "What we found, of course, was that for what we wanted to do our manpower was insufficient. We then had to set about to see how to cover this deficit." First there was a scaling down of the manpower in the Services and on production for the Services.

"Then we had to decide on the allocation. We had to adopt certain principles. The first thing was that many desirable projects put forward, desirable in themselves, desired perhaps by some section, had to be postponed because they had a lower degree of priority than others. . . . Our general principle was, first of all to hold back the less essential schemes; secondly to push on with those essential to ordinary life or the recovery of industry; thirdly to hold back in areas of labour shortage; and fourthly, to push on rapidly in areas showing unemployment, that includes particularly those areas that were called 'depressed areas' before the war. . . . On certain economic fronts there could be no cut. Housing is to get a very big share of the building labour force. Some of the building force is needed for factories, in addition to which there is civil engineering work. Our target, which we hope to reach by the end of 1946, is 1,400,000 in the building and civil engineering industries. . . . The second place in which there could be no cut was the export trade. . . . Our target for the labour force directly engaged on exports is 1,285,000 for mid-1946 and 1,555,000 at the end of 1946."

New types of planning machinery are also being developed. Mr. Morrison, speaking at the Bournemouth Labour Party Conference on June 13th, 1946, disclosed that:

"The Government is rapidly building up an overall planning organisation with what amounts to an economic general staff, and its planning committees and working parties. I see this

organisation working and developing. I compare it with the complete lack of economic planning organisation in the past. That was the case in the Labour Government of 1929-31, when I held the office of Minister of Transport. When we went into the economic and financial smash of 1931 we did not know we were going there. We ought to have known what was ahead, but we did not, because there was no proper machinery of State to tell us, and when we got there we did not know fully what to do about it. Indeed, if you are unprepared and permit yourself to get into an economic and financial smash there is not much you can do about it. Our Tory predecessors of 1929 left no preparation behind them. . . .

"The overall planning organisation of the Government includes the Economic Section of the Cabinet Secretariat, a body of trained and skilled economists, with a very high proportion of young men and women among them engaged in economic study. We have the advice of the Central Statistical Office, a fine body of statisticians, who are most valuable in giving us the real solid statistical facts of economic and industrial matters.\* The Cabinet Secretariat, which itself is a very splendid organisation of administrative co-ordination, together with the representatives of the departments concerned with economic affairs, including of course, the Ministry of Labour, is engaged in the organisation and co-ordination of this work."

BY WAR SELLER JUNE TAYLOR

In these first years producers will be able to sell almost anything they can put on the market, and there will be no general unemployment problem. Some people will inevitably be unemployed in particular districts where war factories have been closed down or cut down and the slack has not been taken up by the demand for labour from new or expanding factories; unfortunately the pre-war Depressed Areas, to which war brought prosperity, have again had far more than their fair share of this kind of unemployment. Others will be temporarily unemployed for short periods while reconversion is taking place. But over the economy as a whole there will be so much purchasing power waiting to be spent that any general unemployment will be out of the question.

The aim of the Labour Government in this situation will be to make sure that the right things are produced and fairly distributed according to need. Taxation will be kept high and savings encouraged in order to reduce spending, avoid inflation and make high investment possible. Rationing of all necessities will be con-

\* To supplement current statistics there will be a Census of Industrial Production in 1947 and the first Census of Distribution in 1949.



tinued, and the amount of the rations made available to everyone alike gradually raised as the quantity of rationed goods increases. Standard specifications will continue to be laid down for many types of utility goods. Licensing for building work and raw materials in short supply will ensure that priorities are generally observed (see Chapter V).

But later on, when civilian production has been in full swing for a time and when savings have been creamed off to satisfy the most urgent deferred demands of consumers, there will once more be a danger that spending will be inadequate to maintain full employment. The rest of this chapter (apart from the last section on localised unemployment) outlines the methods which the Labour Government is adopting, and will adopt, to avert this danger.

### POSITIONS OF ECONOMIC POWER

The first step has been to gain a greater degree of control over the financial system of the country than any British Government has ever possessed before, by nationalising the Bank of England and by obtaining from Parliament additional powers for the regulation of investment. Both these measures have several objects, but the chief of them is to provide the Government with the necessary economic leverage to prevent unemployment.

The Bank of England is the nation's central bank, with highly important economic functions.\* It is the Government's banker, keeping the accounts of all Government Departments and managing the National Debt. It issues currency notes and coins for the Government. It regulates credit (and hence influences employment) through its influence over rates of interest and over the deposits held by the joint-stock banks like Barclay's and the National Provincial. It has operated the war-time foreign exchange control and the pre-war Exchange Equalisation Account. And during the thirties the Bank, acting through its subsidiary, Securities Management Trust, and the Bankers Industrial Development Company, helped to raise funds for several big industrial ventures. Thus it played a part in some of the large projects for "rationalisation", usually involving the restriction of production, in industries where the banks had a good deal of money tied up. For example, it assisted the new Lancashire Cotton Corporation, which in eight years scrapped 5 million spindles, the Lancashire Steel Corporation combine, and National Shipbuilders Security, Ltd., which bought out and

\* For a description see *The Bank of England and the Nation*. Labour Discussion Series. Labour Party, 2d.

scrapped shipyards (with well over a million tons of shipbuilding capacity) that, irrespective of their efficiency, were in financial difficulties. The classic case was that of Richard Thomas & Co., which ran out of money before it had completed a new tinplate mill at Ebbw Vale, so modern that it gravely threatened the existence of its competitors. The Bank agreed to help raise the money, but on condition that the control of the company's policy in effect passed to persons, who, as stout supporters of the British Iron and Steel Federation, were not enamoured of competition.

In most countries the central bank has been under public control; there is complete public ownership, for instance, in Canada, Australia, New Zealand and Eire, and varying degrees of State control in such other countries as India and the United States. But in Britain the central bank has retained the same independent status for the last two and a half centuries, with Directors nominally appointed by the private stockholders, but actually, since it was rare that more than three or four out of 7,000 qualified stockholders bothered to attend meetings, appointed by each other from the ranks of the leading men in the financial institutions of the City of London. Until recently the Bank seemed to direct the Government, rather than the other way round. In World War I the Governor (elected by the Directors) blatantly opposed the Chancellor of the Exchequer. In the financial crisis of 1931 the Bank was one of the dominant influences. At the Treasury, reports Lord Pethick-Lawrence, "The Governor's opinion appeared to be accepted almost without question". The Governor, for his part, could see no hope except in cuts in Government expenditure, even though these cuts were, by reducing spending, aggravating the depression they were supposed to cure. Then in 1939 the Bank supported the request of the Nazi representatives on the Bank of International Settlements for possession of the gold holdings of the Czech National Bank lodged in the Bank of England before the Nazis occupied Czechoslovakia, and accordingly transferred the holding to Germany.

The Bank of England Act, 1946—the first of Labour's nationalisation proposals to reach the statute book—changes all this. The Government has acquired all the stock from the former private owners, and now has the power to appoint the Governor, the Deputy-Governor and the Court of Directors. The Bank will continue as a Corporation, governed by Royal Charter, so that there will, as Mr. Dalton said, be no day-to-day interference by the Government. But the power of the Government to control the

general policy of the Bank is at last beyond challenge, since the Chancellor can, under the Act, give the Court such directions as are necessary in the public interest. The power of the Bank of England over the joint-stock banks has also been deficient, and is to be increased; in the past the Bank has, for example, been unable to secure that the ordinary banks do create more credit when necessary to boost economic activity, but under the Act the Bank can, with the authority of the Government, give directions to the ordinary banks on this and other matters. By this Act the Government has, in short, taken over one of the key vantage points in the financial system: it will now be able to exercise proper control over short-term credit and long-term investment policy, both of which have such a vital bearing on the level of employment.

The Borrowing (Control and Guarantees) Act was the second measure introduced by the Labour Government. In the first place, the Act provides for the continuance of the war-time power to control new capital issues. "The purpose of this control," said Mr. Dalton on February 5th, 1946, in the House of Commons, "is simple. It is to ensure that the order of priority of schemes for raising new capital shall be determined by one criterion only, namely by their relative importance in the general national interest; whereas in the absence of such control they would be determined by other criteria, namely their relative appeal to profit-seekers and the relative plausibility of their presentation to a credulous public by company promoters and others." The permanent executive instrument for operating this control will be the Capital Issues Committee, which was first set up for this same purpose during the war. The Act provides, secondly, that the Treasury may guarantee loans up to £50 millions in any one year "for the purpose of facilitating the reconstruction or development of an industry or part of an industry in Great Britain". If there was a danger of a slump, Treasury-guaranteed loans could, under this section, be made to promote employment, up to the limit laid down, which could always be increased if necessary. The guarantee could sometimes be used to supply funds to industries which, while remaining in private ownership, are in need of modernisation but cannot raise funds in the ordinary capital market. The Treasury would here co-operate and share risks with the two new Corporations—the Finance Corporation for Industry, and the Industrial and Commercial Finance Corporation—established by the banks and insurance companies, with Government support, for financing industrial projects. On policy the Treasury will be aided by a

new National Investment Council, which will "advise and assist the Government in so organising and, when necessary, stimulating investment as to promote full employment".

#### LAYING THE FOUNDATIONS

These new financial powers will be a help, but the main influences on the employment level will be the Government's Budgetary policy and its control over public investment. As suggested above, the Labour Government is not prepared to wait until the post-war boom collapses before taking the necessary positive action, but intends to do everything possible beforehand to limit the scope of the fall in economic activity that might then be expected to take place. It is, in other words, as part of a great effort to back priority needs with purchasing power, concerting advance preparations by making both consumption and investment expenditure higher and more stable than they ever were in the past. Steps to raise consumption and investment will be co-ordinated, so that enough of the nation's economic resources are made available for investment.

Expenditure on current goods and services is of two kinds: there is public expenditure on social services, national defence, interest on the national debt and the civil service, and there is private expenditure on consumer goods and services such as food, clothing, rent and amusements. The first big change brought about by the Government is, as described in Chapter VI, to expand permanent public expenditure on social services much beyond the pre-war level, and, since expenditure on national defence and other items will probably not be less than before the war, total Government expenditure will therefore be larger. This new expenditure will not fluctuate from year to year, and will certainly not go down if there is unemployment; it is much more likely to rise. Here, then, is an additional element of stability in the national income. Moreover, total public and private expenditure will consequently be larger, since the taxpayers who pay for the social services would not have spent the whole of that part of their incomes which is taken in taxation.

On the revenue side, private expenditure on consumer goods and services is also being raised by using taxation to achieve a fairer distribution of the national income. This, again, is desirable not only as a measure of social justice, but also as a means of raising spending. The rich, economists have shown, spend a smaller, and save a larger, proportion of their incomes than the poor. It follows that the more the Government raises its revenue from the rich, the higher will total spending tend to be. X, let

us say, has an income of £5,000 a year and spends 90% of it, while Y, with £200 a year, spends 98% of his. Suppose that the Government decides to raise an extra £100 in taxes to cover its own expenditure. Government spending will then be £100 higher. By how much will the taxpayers' spending be reduced? If the Government takes £100 from X, his spending will fall by £90, but if it takes £100 from Y (or a number of people with £200 per annum) his (or their) spending will fall by £98. So total spending (Government plus taxpayers) will be £10 greater in the one case and £2 greater in the other. Total spending will, in other words, be £8 higher for every £100 of taxation which is taken off the shoulders of Y and his like with £200 a year and transferred instead to the shoulders of X and his like with £5,000 a year. This is what happens on a large scale when the tax structure of the nation as a whole is made more progressive.

There are two main forms of taxation—direct and indirect. Direct taxes on incomes are “progressive” taxes, inasmuch as the proportion of income going in taxation increases with the size of the taxpayers' income. Indirect taxes on commodities have, on the other hand, mostly been “regressive”; the flat-rate tax on necessities like tea or sugar bore more heavily on the poor than the rich because, whereas both consumed roughly the same quantities, the proportion of the poor man's income spent on tea or sugar was much higher: 1s. a week is a much bigger proportion of an income of £2 a week than it is of £50 a week. (It should be noted, however, that indirect taxes possess certain advantages. Thus income taxes do discourage harder work, since the earner (particularly the piece-rate worker) receives a falling proportion of the larger gross income received as a result of the extra effort; indirect taxes are not open to this objection. Indirect taxes are also a sensitive instrument for control of production insofar as it is always possible to stimulate demand for an article by reducing its tax, and vice versa.) Pre-war, the combined effect of the two forms of tax was that the tax structure was progressive above £500 a year, but regressive below that level. Comparing married couples with two children, the man with £150 a year paid no income tax, but in unavoidable indirect taxes (tea, sugar, small indirect taxes and social insurance only) he paid 4% of his income, while the man with £500 a year paid in income and other unavoidable taxes only 2.3% of his income.

During the war the higher total tax burden was shared more fairly, and the Labour Government is not restoring the pre-war tax structure. Food and clothing subsidies continue; in 1946-47 they will amount to £335 millions. And as the total burden of

income tax is being reduced, proportionately greater reliefs are being given to the lower- than to the higher-income groups. During the war the lower-income groups were made liable to income tax by a steep reduction in allowances of various kinds. Mr. Dalton's first step, in the supplementary Autumn Budget of 1945, was to increase the personal allowances from £80 to £110 a year for a single person and from £140 to £180 a year for a married couple, and to raise the exemption limit from £110 to £120 a year. The result was that in April 1946, when the changes took effect, 2 million people in the lower-income groups were entirely exempted from income tax and many millions of others had to pay substantially less. The only change which benefited the higher-income groups was the reduction in the standard rate of tax from 10s. to 9s. in the pound, but even this was offset by an increase in surtax, so that those fortunate enough to enjoy really high incomes received little relief. The 1946 Budget exhibited the same trend. The earned-income allowance was increased from one-tenth to one-eighth. The allowance in respect of a wife's earned income was raised from £80 to £110. Employees' National Insurance contributions were exempted from income tax—equivalent to an addition to the personal income-tax allowance of £11 a year.

As a result of these changes the distribution of the national income has been made fairer than it was in the war, and is certainly much more equitable than before the war. The further consequence is that total spending has probably been increased more than it would have been if the higher-income groups had enjoyed the major reliefs. It is true that this extra spending is not needed at the moment, and is even an inducement to inflation; but there is no reason to fear such an inflation as long as rationing and other controls continue and as long as people respond to the appeals to save. It would be ridiculous to create, or perpetuate, income inequality merely in order to amass savings; there are other ways of procuring saving as the experience of war showed. The important point is that by equalising income through taxation purchasing power is placed in the hands of those who will be ready to use it, and sound foundations are laid for the future economy of plenty.

Furthermore, the 1946 Budget increased the Estate Duty paid on the value of estates passing from one person to another at death. Although its effect on the distribution of incomes will be delayed, this increase is also designed to bring about greater equality by taxing inherited wealth more heavily, and, as explained in Chapter II, the inequality of income is ultimately due

in large part to inheritance. The proposals of the 1946 Budget were that small estates of less than £2,000 would be exempted, estates from £2,000 to £7,500 partly relieved and estates from £7,500 to £12,500 levied as at present, while estates of more than £12,500 all pay more on a rising scale up to a maximum of 75%. As a result of these changes, 150,000 out of 200,000 estates (left by 600,000 people who die each year) will be wholly relieved, and of the remainder only 10,000 will have the rates increased. But these 10,000 estates constitute 60% of the total value of estates becoming liable every year, and the increased duties they will now have to bear will far more than make up for the small loss on the estates wholly or partly relieved. Mr. Dalton said in the Budget speech that he proposed, in association with this stiffening of death duties, to use more fully the power the Government possessed to take payment of death duties in land instead of in cash. At the same time Mr. Dalton set up a National Land Fund of £50 millions which would be employed to reimburse the Inland Revenue for land received by way of death duties but passed over to some such body as the National Trust or the Youth Hostels Association; and possibly for "the creation of National Parks and the acquisition for the public of stretches of coast and tracts of open country".

Another influence on the distribution of income, as well as on the cost of housing and other investments, is the Chancellor's cheap-money policy. Since the General Election the rate of interest on long-term Government loans has been reduced from 3 to 2½% (compared with 5½% after World War I). The lender who got £3 before will get only £2 10s. now. At the Bournemouth Labour Party Conference Mr. Dalton in this connection spoke approvingly of Keynes' phrase—"the Euthanasia of the Rentier"—as a goal of cheap-money policy.

#### PUBLIC INVESTMENT

Investment will also be stabilised as much as possible along with consumers' expenditure. In the past the fluctuations in private investment have been the chief engine of boom and slump. Employment in industries like heavy engineering and iron and steel, which mainly manufacture capital goods needed not by consumers but by other producers, has varied much more over the course of the trade cycle than employment in consumers-goods industries like clothing, food-processing and distribution. And a high proportion of those out of work in time of slump are in these particularly vulnerable heavy producers-goods industries. There is no reason to think that the level of private investment

(i.e. the level of private demand for the capital goods produced by the heavy industries) can be completely stabilised. The great advantage of public investment, apart from the fact that it often satisfies a more urgent need than private investment, is that it can be consciously regulated from year to year, whereas the investment of private capitalists is, on the evidence of the last 150 years, inherently unstable. Extend public investment and you add yet another vital element of stability to the national economy.

Nationalisation is the most straightforward method of extending the sphere of public investment \* and, by the same token, a straightforward and effective method of controlling the level of employment. The transfer to public ownership of the industries in Labour's first programme of nationalisation will very greatly ease the task of preventing slumps. This subject is discussed in the following chapter.

Labour's housing programme will, however, be quantitatively far more important than the extension of nationalisation. Even before the war building accounted for a very large part of total investment, as the following table shows. Gross

GROSS AND NET PRIVATE INVESTMENT IN 1938

	Gross investment.	Net investment.
	£ mills.	£ mills.
Outlay on fixed capital:		
Public utilities . . . . .	140	60
Buildings . . . . .	350	245
Plant and machinery . . . . .	120	20
Other fixed capital . . . . .	65	10
Net increase in working capital and stocks .	25	25
Costs incurred in the transfer of property and the investment of savings . . . . .	60	60
Private investment at home . . . . .	760	420

investment includes net (new) investment, as well as the making good of depreciation.

Building thus took up about half the gross investment before the war. But the need for new buildings—houses, schools, hospitals, new factories—is far greater now than it was at that

\* Investment of pre-Election public enterprise is also being expanded. Thus, the Central Electricity Board has a five-year development plan estimated to cost £450 millions, and the North of Scotland Hydro-Electric Board has many great projects in hand. The Post Office plans to spend £27 millions on new telephone services.



time, and the Government is determined to make sure that in due order these needs are satisfied. Investment in building will therefore be at least as high a proportion of the total as it was. And there will be this vital difference as compared with pre-war. Then, most of the new houses were erected by private, speculative builders subject to the same influences that induced general economic fluctuations. Now, most of the new houses are to be put up by local authorities, who, with the help of the central Government, will be able to proceed with rehousing at a steady pace. There is also to be an expansion in other categories of public investment. The Minister of Transport has, for instance, announced a ten-year plan for highway development, starting with urgent reconstruction projects and improvements in the Development Areas and ending with comprehensive rebuilding of the main national highways. The cost of the work in the first year will be up to £80 millions. Thus by far the greater part of total investment will in future be directly or indirectly under the control of the Government, which will own great capital-consuming public utilities and other industries and will be indirectly responsible for extensive investment in new housing.

By all these means the Government will gear the economy to the satisfaction of the most urgent social needs. Financial policy will redistribute income in favour of the lower-income groups in two ways: social service expenditure will benefit primarily those in the greatest need—the sick and the children; creating a more progressive tax structure will give relatively more purchasing power to the poorer people who need it most. Public investment in the nationalised sector will improve the efficiency of industries whose backwardness has depressed the whole standard of living. Public investment in housing will meet the crying need for houses to let. And high employment will be but a by-product of maximum production for need.

#### EMERGENCY ACTION

Thus the general aim is to prevent unemployment occurring. But members of the Labour Party know that while a large part of industry remains in private ownership it will probably be impossible to avoid some ups and downs in economic activity. Private expenditure on consumers' goods can be more or less stabilised. So can public spending on social services and public investment. But private investment is always liable to fluctuate, and the danger is that unless prompt action is taken, the periodic falls in private investment will drag down expenditure everywhere. The grim truth is that as long as there is capitalism there

will in all probability be some fluctuations of this kind. Plans must therefore be prepared in advance, so that if the emergency arises action can be swift.

The nationalised industries will be expected to have investment projects in reserve (see Chapter IV) and non-commercial public investment will also have to play its full part. Road and bridge-building schemes can be put into operation; preparations are, for instance, being made so that work could commence immediately on the new Forth Bridge if there were danger of serious unemployment. Drainage and flood-control schemes can be extended. Local authorities' projects can be pressed forward. A first step towards the necessary preparation was taken when, in November 1945, the Government requested local authorities to submit programmes of capital expenditure and maintenance work for the three years beginning April 1st, 1946. The purpose was to provide the Government with the indispensable information required to enable it to establish priorities in the immediate post-war years, when there will be a scramble for capital, and to expand investment expenditure in the later years, when there will again be a danger of unemployment.\*

Consumption expenditure may also have to be stimulated. As long as there are post-war credits unpaid, these can be released as soon as any inadequacy of purchasing power shows itself. The extra taxation caused by the decrease in 1941 of the income-tax allowance was regarded for each individual as a post-war credit to be repaid "so soon as may be after the termination of hostilities". By April 1946 these totalled over £800 millions. Repayment—to men over sixty-five and women over sixty—began in September 1946, but there should still be repayments to make when there is no longer a superabundance of purchasing power. If spending were still deficient, taxes could be cut down without reducing Government expenditure, so that taxpayers would have more purchasing power to spend. This would involve a budget deficit, but the Labour Government will have no inhibitions about budget deficits. "We need not", said the Party Report on *Full Employment and Financial Policy*, "aim at balancing the Budget year by year. . . . The time for a Budget surplus is a year of

\* George Shepherd has recalled (in *Plebs* of February 1946) that this policy was anticipated in the early days of the Labour Party. At the 1905 Conference of the Labour Representation Committee, David Shackleton moved a resolution that Local Authorities should execute public work at times when the labour market is depressed and should, in consequence, schedule improvements, housing schemes, etc., with a view to putting them in hand immediately; and wherever possible, should employ direct labour, to be given standard Trade Union rates and conditions.

really good trade; if trade is bad, or even showing signs of turning bad, then is the time for a Budget deficit, for the State to spend beyond its income and borrow the difference. Increase taxes in the first case; reduce them in the second." "Our aim," said Mr. Dalton at Bournemouth, "should be, when we have moved through this transitional period from war to peace in which we still are, to balance the Budget, not from year to year, but over a series of years, taking our decisions each year in the light of the trade situation, of the prospects for employment, and in the light of the relative dangers of inflation or deflation as the case may be."

Another similar proposal made, originally, in the White Paper on Employment Policy was that social insurance contributions should be varied inversely with the level of unemployment. The rate of contribution would exceed the standard rate when unemployment was less than the estimated average level, and be below the standard rate when unemployment was more than the average. Thus when the unemployment percentage rose by two points a fall in the contribution would, on the suggested scale, reduce the total contributions, and augment total purchasing power, by £500,000 a week. The National Insurance Act gave the Treasury power to vary contributions in this way.

Private investment is one danger-spot, because it is largely outside the control of the Government. So, to an even greater extent, is overseas spending on British exports (see Chapter VIII). If, for instance, there is a slump in the United States, U.S. purchasing power will fall, U.S. citizens will have less to spend on British imports say of textiles and whisky, and the firms exporting these articles will find that part of their market has disappeared. U.S. imports of wine from France and rubber from Malaya will, for example, also be reduced, and France and Malaya may then be unable to afford to buy as many British cars or machine-tools. Once again there will have to be offsetting action. The best method, wherever practicable, would be to send elsewhere the exports which can no longer be sold in the United States or another country which is dragged down by the U.S. slump; the cars might, for instance, be diverted to New Zealand in exchange for larger British purchases of New Zealand mutton. A second method would be to expand home demand for the articles in question; the Government could buy the articles and store them for the future, or a nationalised industry could expand its orders for some of the goods in question, or the Treasury could stimulate private consumers' demand by reducing the purchase or excise tax on the commodity wherever it was taxed; with whisky at least there would be no problem. Thus,

the U.S. slump need not lead to a spread of unemployment in Britain; but it is bound to impair Britain's ability to import, since British exports will be more difficult to sell on a contracting world market in face of more intense U.S. competition. In any case, we in Britain must be prepared to reduce the impact on our own country. As Mr. Morrison said at Bournemouth on June 13th, 1946, "If unhappily—it would be unhappily for them and us—there should be a large depression in the United States of America—which Heaven forbid!—or other world depression were to occur, we are seeking to be prepared to do what is possible to avoid repercussions on the economic life of our own country."

### DEVELOPMENT AREAS

The grey, coal-grimed villages where every man was out of work, the jagged silhouettes of rusting blast-furnaces, the men and boys scrabbling for stray pieces of coal in a mountain of refuse, the gaunt steelwork of disused shipyards—these typical features of a Depressed Area had before the war become the symbols of decay in the economic life of a whole nation. And unless these districts which have known prosperity in the war can be permanently revived no one in Britain will be satisfied that the job of reconstruction is complete. The aim is clear: bring into the areas new factories in expanding industries to offset the declining industries which have up to now been the only stand-by for local employment.

The decisive event was the passage of the Distribution of Industry Act in 1945 which Mr. Dalton, when President of the Board of Trade in the Coalition Government, first introduced. This Act gave the Board of Trade extensive powers to make the Depressed Areas—appropriately renamed Development Areas—more attractive to private enterprise. Where an industry is publicly owned the Government can quite easily decide to site new works in those places which are considered best when both social and economic conditions have been taken into account; but private capitalists are normally concerned only with the profit prospects of their own firms. Therefore it is necessary for the Government to persuade and compel private manufacturers to move into Development Areas.

According to the Act, the Government can make loans to trading estate companies in the Development Areas and give financial assistance for the improvement of basic services—transport, power, lighting, heating, housing or health services—on which the further growth of industry may depend. It can also assist a company which is ready to open up in a Development

Area; and acquire, compulsorily if necessary, any derelict land with a view to rehabilitating it. These extensive powers were to apply to the four primary Development Areas—the North-Eastern, West Cumberland, South Wales and Monmouthshire and the Scottish (including the Lowlands and Dundee). Two small areas have since been added in the Wrexham and the Wigan–St. Helens districts.

The Act does not, however, give the Government powers to prevent new enterprises starting up in any part of the country that their proprietors may think appropriate; it merely compels those wanting to put up new buildings to notify the Board of Trade in advance. In normal times this apparent omission in the Act might well prove fatal to any plan for the location of industry: the most tactful official might talk himself hoarse before he managed to persuade a thriving lipstick manufacturer to desert the delights of the Great West Road for the Team Valley Trading Estate. But in these first few post-war years the Government will in fact have almost as much control over the location of new factories as it would have if the most stringent powers were given in the Act. This control stems from the power, derived from the Supplies and Services (Transitional Powers) Act, to prevent any building of new factories except by licence. The Act is due to expire in 1950 and in this respect some legislation will be needed to take its place. There is at the present time an overall shortage of factory space due to obsolescence, to war damage, and to the number which are still needed as stores. On the other hand, no new premises can be built without a licence, and manufacture cannot begin without raw material, most of which is still under Government licence. Neither building nor material licence will be readily granted except for a factory in a Development Area. The consequence is that in most cases industrialists cannot start up in one of the places, like London or the Midlands, which they would have favoured if left to themselves. Instead they have to help to solve one of the nation's gravest social problems and help to make the fullest use of the nation's manpower by choosing a site in a Development Area.

Real progress has been made in attracting new industries. First there are the new factories. By the end of May 1946 nearly 1,500 new factories or extensions had been approved for the whole country, and 585 of these are to be in the Development Areas. The new factories will, it is estimated, between them give employment to 218,000 additional people, of whom 92,500 will be women. Many of these new buildings will be situated either in the existing trading estates or in new estates which are to be

opened at Jarrow, South Shields, Hartlepool, Swansea, Newhouse (Lanarkshire), Dundee, Port Glasgow, Kilmarnock, Kilwinning, Renton and Blantyre.

The Government is using Trading Estate Companies as agents for building many of the new factories. In 1935-6 the Board of Trade made a large-scale enquiry to discover what were the chief factors influencing the location of new factories. The commonest answer was "Availability of premises". The purpose of these companies was therefore to build premises for rental to manufacturers, thus following the successful precedents set by the privately owned Slough, Letchworth and Welwyn Garden City Trading Estates. The main estates started before the war in the Depressed Areas were at Treforest in South Wales, Team Valley near Gateshead and Hillington near Glasgow. The respective companies which built these pre-war estates are now to enlarge their scope. The Government, already a large owner of factory buildings, is still erecting many new factories for leasing to manufacturers.

Many Government-owned munitions factories, built in the Development Areas during the war, are being made available for production of civilian goods. This new war-time capital can now be put to good use in order to diversify the industrial base of the areas. Thus the enormous Royal Ordnance Factories at Bridgend and Hirwaun in South Wales and at Aycliffe and Spennymoor in Durham are being divided up and themselves converted into trading estates which will give employment to a further 15,000 people. Other R.O.F.s are being leased to individual firms; Courtaulds have, for instance, taken over the R.O.F. at Sellafield in Cumberland. Then many other factories which were built by the Government but operated during the war by private firms have been leased to the same or other firms for civilian production.

The character of the industry in the Development Areas is already changing as a consequence of this initiative of the Government, aided by exceptionally favourable economic circumstances. There are a few really large and many small projects. In the North-East, Imperial Chemical Industries, Ltd., is to build a vast chemical factory on the south bank of the River Tees which will eventually employ 10,000 people, and a smaller plant for the production of nylon polymer. The National Cash Register Company is going to make at Dundee cash registers and accounting machines which were formerly imported from the United States. Parts of the big Rolls Royce factory at Hillington, where aero engines were made during the war, have been let to the Hoffman Manufacturing Company (ball bearings), to the

Scottish Co-operative Wholesale Society, and to Atholl Steel Houses. In South Wales, British Nylon Spinners, Ltd., is building a vast factory at Mamhilad near Pontypool. Some of the many new products which are to be made in South Wales include prams, cigarette boxes, plastic mouldings, knitting-pins, fancy buttons, electric switches, thermostatic controls, zip fasteners, artificial jewellery, furniture, built-in fittings, chemicals, varnishes, plastic combs, wireless sets, lamps, electrical motors, rayon-hosiery, potato crisps, biscuits and cakes, railway-truck chains, photographic apparatus, hose and machine belting, mechanite castings, crushed and graded limestone, and tissue and crêpe paper.

It would be nonsense to pretend that it is going to be simple to maintain full employment over the country as a whole, let alone in every district. And with the task accomplished new problems will arise. It is, for instance, unfortunately true—stinging criticism of private enterprise though it be—that unemployment had a function in capitalist society: the fear of the sack was an aid to industrial effort and discipline, since the less hard-working were soon out on their necks. Under full employment this negative, degrading and archaic form of incentive will have been at long last removed. But new positive incentives will have to be developed. Public service will have to become one of the dominant motives; and this it should tend more and more to do as Labour's programme gets under way. There will also have to be a new approach to the structure of relative wages. We are already faced in a very practical fashion with the old question, "Who will do the dirty work under socialism?" The 'dirty work', in a coal mine, brickworks, cotton mills, was done before the war because any work was better than none and there were big reserves of unemployed labour exerting a depressing influence on wages in the old-established industries. With full employment, wages (and conditions) for the dirty work will have to improve faster than elsewhere if the less attractive industries are to get their complement of workers, and the Government and the Unions, whose part in reconstruction is a fundamental one, will have awkward problems presented to them in the transition to a new wage structure. But these difficulties will be overcome in the course of Labour's campaign for ensuring full employment of all our resources by vesting needs with purchasing power and producing according to a plan.

## CHAPTER IV

### NATIONALISATION

WHEN THE people come to pass judgment at the next election, one of the crucial tests of Labour's programme will be the experience of nationalisation in Britain's basic industries. The Tories declare that Labour, in proposing to transfer to public ownership the coal industry, electricity supply, gas, the greater part of inland transport and iron and steel, is merely the slave of outworn dogma. Are the Tories right?

This chapter makes it clear that, whether or not you agree with the arguments put forward, nationalisation is not just a reckless and ill-considered slogan. Firstly, there is a discussion of five general reasons which apply, with varying degrees of force, not only to the industries scheduled for nationalisation, but to all industries: nationalisation makes it easier to maintain full employment, heightens incentives to work, promotes more efficient management, facilitates capital investment and enables the advantages of large-scale organisation to be gained without exposure to the political and economic dangers inseparable from private monopoly. In the second place, these and other reasons for nationalisation are illustrated in relation to the particular industries listed above. Finally, there is a short discussion of the proposed terms of acquisition and forms of organisation for publicly owned industries.

#### (1) *Full Employment and Planning*

Perhaps the most important advantage of nationalisation is that the more industries there are in public ownership, the easier will it be to maintain full employment. Unemployment, as stated in a previous chapter, occurs whenever total spending on investment and consumption falls below the level necessary to buy all the goods and services which would be produced when all workers have jobs. The chief cyclical fluctuations in employment have been due to the fluctuations in spending, in privately owned industries, on investment in capital goods such as machinery, new buildings or lorries. If all industries were nationalised the Government could keep the greater part of investment stable from year



to year, and so prevent big changes in employment. If only some industries are nationalised the Government cannot absolutely guarantee full employment, but it will at least be able to exert more powerful economic leverage over the level of employment than it would if all industry were privately owned.

The Board of a nationalised industry can plan its own investment over a long period of time and maintain it whatever may temporarily happen to the demand for its products. In a depression the directors of a private company, considering that the prospects of profit being made on new capital are poor, would normally contract their capital expenditure, with the result that spending would fall still further and unemployment be aggravated. But in these circumstances the public board need not contract its own capital expenditure at all.

The point was put this way in the Labour Party's Report on *Full Employment and Financial Policy*:

"It is easier to make such plans for the public sector, and this is one of the strongest reasons for increasing the range of public enterprise to include, in particular, fuel and power in all its forms, iron and steel, and transport. *Every extension of socialism makes it easier to plan employment as a whole.*"

The development policy of public boards cannot be too much at the mercy of swings in private investment if they are to be successful in their primary job of running their own industries efficiently. But within limits the public board could expand its capital expenditure just at the time when privately owned companies were reducing their demand for capital equipment. Thus, the Railways Board could prepare a number of development projects that they would be ready to start on as soon as the Government gave the word. The effect would be to offset the fall in private investment; orders for equipment for railway electrification placed with manufacturers when their orders for privately owned industries ran out would, for instance, help to prevent a fall in employment in electrical engineering.

The public board can also be used to influence the demand for the products of a particular works or area. If, for instance, there were a slump in the United States (see Chapter VIII), demand for British exports would fall, and particular industries, and particular factories in particular industries, would find that they could no longer sell as many goods as before. An engineering works in Newcastle, say, might have its orders for hydraulic pumps cut down by half. What could be done to prevent immediate dismissal of engineers? Any general increase in spending brought

about by Government action would not raise demand for pumps sufficiently to compensate for the reduction in overseas orders. But the various public boards could be asked not only to expand their own demand, but, in ordering hydraulic pumps, to give preference to the Newcastle works.

A public board will furthermore be able to gear its own policy for the location of the productive units coming under its own control to the employment needs of particular districts in which those units are, or could be, situated. Take the example of the coal industry. The directors of a private colliery in an isolated village in South Wales cannot normally take into account the effects of a decision to close that colliery upon the life of the village. It is not their business to worry about the fate of the colliers who are without jobs as a consequence, the poverty into which the colliers' families will be thrown, the resulting increase in unemployment benefits paid by the State, the loss of social capital in the houses which will have to be left empty when the colliers move their families to other more prosperous districts; private directors must normally keep their eyes firmly fixed on the company's profit and loss account. But the National Coal Board will be in a position to plan the allocation of coal output between different pits in such a way that without too great a cost in efficiency localised unemployment is minimised. It may, for instance, prove necessary to close one of two more or less equally efficient pits, one of which is near to a large town which offers other employment opportunities and the other of which is the only source of employment for an entire village. The Board would then close the former rather than the latter pit because the miners attached to the first pit could obtain jobs comparatively easily, while the miners attached to the second could probably not find alternative jobs unless they and their families migrated to another part of the country. In the same way, the Board would locate new establishments in districts where there was actual unemployment, or a danger of it, unless there was some very good economic reason why that place was unsuitable. The Board would, moreover, be able to avoid parts of the country which were thought to be strategically vulnerable, whereas private companies tied to the profit criterion would have to choose the area which was conducive to commercial profit-making. A publicly owned industry could, in other words, be planned to achieve purposes of general national value even though it had to be temporarily operated at a money loss; indeed, it is one of the merits of public ownership that it enables industries to be run at a loss if it is essential on grounds of public interest.

## (2) *Heightened Incentives*

How can employees be expected to co-operate wholeheartedly with their employers for increased production when the only result of so doing may well be to raise the profits going to shareholders who, in the workers' view, have no right to the dividends they receive? The spokesmen of capitalism talk a great deal about the dynamism of the business man working for himself under the powerful stimulus of the profit motive; and it is probably true that the owner-manager often does work harder than an employee just because the business is his own and the benefits of his hard work come back to himself. What the apologists do not realise is that they are giving socialists their case. In an economy organised in ever larger units the lot of most workers is to be employed by the few who own the means of production; some of the few may be, but none of the many are, working for themselves. Therefore the only way to apply to everyone this incentive is to introduce socialism, for under socialism all men, owning the means of production in common, would in fact be working for themselves. Nationalisation is the essential first step towards creating true industrial co-operation and high working morale.

Not that a sensational improvement can be expected in the newly nationalised industries. The old attitudes are bound to persist for some time, and as long as the greater part of industry is still owned privately the predominant attitude will be determined in the private sector. But there will be a gradual improvement as individuals, discarding the ideas of capitalist competition, begin to behave as socialists. How much improvement depends on the development of more skilled management as well as on the growth of the co-operative spirit. Managers, whose main function is to co-ordinate the activities of numbers of individual workers, have, even when properly qualified, had an impossible task under capitalism which builds a wall between managers and workers. Once hostility in industry has given way to co-operation one great barrier to efficient management will have been removed.

It does not follow that there is, in this respect, little hope of heightening incentives in the industries in private ownership. As compared with nationalised industries they are, it is true, at a disadvantage. But the presence of a Labour Government, which is maintaining very high taxes on those who receive the profits and is preventing restriction of production, means that the position of the person working for a private employer is very different from what it was.

### (3) *Better Managements*

Most trade unionists and practically everyone who has worked in the offices of industrial companies know that British managements are too often amazingly inefficient. At the summit of every company there is a board of policy-making directors appointed by the shareholders. It is worth quoting what the Liberal Yellow Book said about directors twenty years ago, for it is still true to-day.

“But generally speaking, a director would consider himself greatly aggrieved if he were dropped merely because he was elderly, useless or without special qualifications for the work. . . . Some individuals hold dozens of directorships. A director on resigning frequently expects to be succeeded by his son. A directorship is, therefore, too often considered as a pleasant semi-sinecure and a desirable vested interest; for the loss of which compensation is expected as a matter of course. Directorships are, in fact, the ‘pocket boroughs’ of the present day.”

The directors may also appoint managers not for their competence but because they are relatives or the “right types”. Good managers, again, may be frustrated by their inability to gain seats on the Board, which are reserved for influential amateur outsiders with financial interests. In a nationalised industry, on the other hand, both the senior policy-makers and the managers right down the line will be appointed on grounds of competence alone, and the appointment methods of the industry will be subject to the scrutiny of the relevant Minister and of Parliament. Nationalised industries will be free from the interference of those who have influence just because they have money. And promotion will be open to every worker. As Mr. Shinwell has said of the future coal industry, “every pit-boy will be able to become a mine manager”.

### (4) *Higher Investment*

The chief cause of the backwardness of British industry is its obsolete capital equipment. There is hardly an industry which is not in need of vast quantities of capital; speech after speech and report after report has emphasised this need. But of all those business chiefs who have been rashly totting up estimates, few have explained where the money is to come from. Probably not many of them knew that the trivial sum of £20 millions was all that was spent in 1938 on net investment in new plant and machinery in private industry. If pressed, probably most of the estimators would murmur something about help from the Government. That is the point. Only the Government can

possibly provide sums which are large enough to bring the efficiency of British industry up to decent, modern standards.

But no Government, and certainly no Socialist Government, is going to hand out unlimited funds to industrialists in the hope that maybe they will be spent in the right way and that, if so, the benefits of the increased productivity will not all go smack into the pockets of the private shareholders. If the Government is to raise the money, it must have control over the way it is spent and a guarantee that the benefits of higher productivity will go to consumers and the workers in the industry concerned. These two conditions can only be completely satisfied in an industry publicly owned. Here is one of the major reasons for the nationalisation of industries like coal and steel, whose reconstruction can only be carried out with the aid of Government-provided capital.

Even if the private owners could find the capital, the chances are that much of it would have to be by way of fixed-interest-bearing debentures, and the rate of interest on these would certainly be higher than on Government stock. The less the risk the lower the rate of interest. There is almost no risk with Government stock, so that the interest rates are always lower than on private stock, which necessarily carries a greater risk. The Government cannot go into liquidation; private companies can and do. So the consumer is better off, because the lower the rate of interest, the lower the price.

#### (5) *Large-scale Organisation*

In many industries the economies of large-scale organisation are lost. Where there is large-scale organisation there can be greater specialisation of plant. In most private-enterprise industries many of the units are either too small or engaged on the production of too wide a range of products, so that mass production is ruled out. If these units were treated as an integral whole, and an industry regarded as so many factories, machines, furnaces and mines rather than as so many companies, each unit could be concentrated on the type of production for which it was best fitted. Moreover, each unit could, if ownership were pooled, share certain facilities with others; this applies, for instance, to surface-processing plants which could service a group of collieries provided they were under one ownership.

Then there can be greater division of labour within the large organisation; highly trained and experienced specialists can be employed whose salaries would be beyond the means of the small unit taken separately. A large gas undertaking can afford to employ a staff of chemists; and in the large steel plant there can

be special fuel-economy technicians, whereas the small undertaking can employ none. The staff that is employed can also move from one plant to another without losing seniority or pension rights, whereas at present they are often tied to one company for life however much they want a change.

Similarly, small units, who would be unable to maintain their own research workers, can, where they are brought into a larger organisation, obtain benefit from common research staffs. Even where a company does carry out research and development it is naturally unwilling to hand over to its competitors the vital information or "know-how". Because the profit system is at work, there is little exchange of research data or co-ordination of research programmes. Where formerly competing units are amalgamated, a more comprehensive research programme can be planned and the benefits of the results made more widely available.

Large-scale selling and buying also tend to be more efficient. Where a number of producers combine for marketing, they can use expensive methods of assessing demand by means of consumer research. They can rationalise delivery to the retailer. They may be able to eliminate the wholesaler and prevent the number of retail outlets from becoming excessive. They can cut out unnecessary advertising. Purely competitive advertising intended, by playing on fear or prejudice, to attract custom from another manufacturer, who may promptly retaliate by expanding his own advertising budget, is, from the point of view of the consumer who has to foot the bill, sheer waste. Centralised buying is more economic because the goods purchased can be purchased in bulk, at lower prices, by an expert buyer. The prices can be lower because the seller can then produce a long run of a standard product. Then the buyer needs to be backed up with smaller stocks of raw material or spare parts, since in an emergency reserves assigned to one productive unit can be temporarily transferred to another unit.

Another general consideration, especially affecting Labour's first instalment of nationalisation, is that the present service areas of certain public utilities are uneconomic. This is partly because electricity, gas supply and road passenger transport have often been confined to local government areas, which are frequently too small or the wrong shape for the purpose; and partly because the private undertakings have extended in a completely haphazard way. The necessary regrouping cannot be achieved without nationalisation; municipalities would, quite rightly, never be prepared to hand over their own undertakings to private companies, and if private undertakings were taken over by the local authorities, the supply areas would still be uneconomic.

There is no intention to argue that every, or any, industry should be run as a monolith in which all-important decisions are taken by the high-and-mighty members of a lofty public board. Quite clearly the optimum scale of organisation varies from industry to industry, and in some the "small man" can still hold his own, especially where helped by expert bodies, *e.g.*, for research or selling, which yield some of the advantages of large-scale operation. But there is no doubt that for some purposes industry is at present run on too small a scale.

For every management function there is an appropriate level, and the lower the level to which authority can be devolved, the better. Thus the individual colliery or steel-works will naturally be run by the manager on the spot, and the more responsibility he has, the more efficient that colliery or steel-works is likely to be. Some of the other functions—common buying or selling, for example—may be better handled at the regional level. But at the same time—and this is the main point—there are some functions (the drawing up of an overall development plan, the framing of general investment policy for the industry in relation to the Government's full employment policy, the charting and co-ordination of an industry-wide research programme in liaison with outside equipment manufacturers, the settlement of general price policy, the determination of an industry's export quota) which can clearly best be performed at the level of the industry as a whole. For such purposes there can be co-operation between industrial Boards if more than one exists for a certain industry; in the case of civil aviation, for example, where there are in effect to be three public boards, there is to be co-operation between them for research and staff training. In most industries at the moment there is no top level at which enforceable decisions of the kind referred to can be taken. In the nationalised industries of the future Britain there will be such a top level, and there will, instead of the loose and badly working co-ordination of the price mechanism, be a plan in each industry for efficient production and efficient development.

How can larger organisations be created? As the section in the previous chapter on Monopoly showed, there has been a steady growth in the scale of organisation, but in some of those industries where amalgamation was most urgent this growth has been far too slow to secure full efficiency. Time and time again attempts to bring about amalgamations have failed because one or a few capitalists refused to agree. The only sure means of procuring amalgamation was therefore to invoke the compulsory powers of the State. This is what the Tory Governments of the thirties did

rather half-heartedly. Where the Government did create private monopolies by use of compulsion it was, in a democratic country like Britain, usually forced to set up some machinery for preventing the monopoly from restricting production and raising prices; under the 1921 Railways Act, for example, the Railway Rates Tribunal fixed the charges of the Big Four Companies which the Act established. The charges and trading practices of gas and electricity undertakings were also controlled. The Import Duties Advisory Committee was supposed to watch the activities of the British Iron and Steel Federation, which was brought into being behind the shelter of the tariff, and so forth. It was as though the State, having set a dangerous criminal at large, then doubled the police force to see that no harm was done.

The General Election of 1945 was the turning point. Was the alliance between the State and private monopoly, which had been growing closer up to and throughout the war, to be finally consolidated in some form of corporate State, as several groups of leading business men more or less openly proposed during the war? Or was the trend towards the strengthening of private monopoly power to be reversed, and a start made towards bringing under public ownership and operation the many large-scale organisations which either existed, or should on grounds of efficiency, be brought into existence? The electorate in effect decided against the State-sponsored monopoly or cartel and in favour of the Labour programme, which contained proposals for nationalisation of the main fuel and power industries, inland transport and iron and steel as well as of the Bank of England (see Chapter III). The general reasons for nationalisation do not of course apply to all industries with equal weight, but they do apply with particular force to the specific industries chosen for nationalisation, as the discussion in the following pages shows.

### THE COAL INDUSTRY

Labour's most rabid opponents are forced to admit that the mine-owners have mismanaged that industry—the coal industry—which produces the only raw material which Britain possesses in abundance. The miners and members of the Labour Movement have never been in any doubt about this since the crisis, leading to the General Strike, which followed the decontrol and resumption of unrestricted private ownership in the industry after World War I. From that time on the industry was, it is true, faced with a declining demand for coal due to a general fall in international trade, to heightened competition in export markets from low-wage producers, and to the development of oil and other alternative



sources of energy; but the owners, far from reorganising, allowed the industry to stagnate. Believers in individualist capitalism, they seemed incapable of planning ahead, of making a new start, of discarding the outworn traditions of Victorian Britain. The chief aim was quick profits with the minimum of capital expenditure. Coal was still transported along underground roadways which followed the twists and turns of coal-seams (which was cheaper in the short run since coal and the roadway went ahead together) instead of learning from the experience of other countries, where broad, level roadways had been driven clear through the strata so that locomotive instead of cumbersome rope haulage could be used. The result of this—the most serious defect in the industry—is that for a given output there are on average four to five as many haulage-workers in British mines as in Holland, and ten times as many as in the United States. The consequence of failure to reorganise was that the industry became ever more inefficient, relative to other countries. The further result was that the price of coal, which is a cost for all other industries, rose sharply, and, particularly towards the end of World War II, imposed a crippling burden on the British economy.

The only policy the owners did consistently apply was to raise prices by reducing competition within the industry and, whenever in special difficulties, to attack the miners' standard of life. Time and time again they tried to reduce wages, which are a high proportion of total coal-getting costs. In 1938 miners' average earnings were £2 15s. 8d., and as regards wage rates the industry was eighty-first down the list. They also drove the miner as hard as they could, while doing as little as legally permissible about safety and health in an industry where even in 1944 one in every 960 underground miners was killed and one in 236 seriously injured, while thousands of others died from silicosis or pneumoconiosis contracted in the mines or suffered from nystagmus and other industrial diseases. It is therefore hardly to be wondered at that there was acute hostility between owners and miners, or that industrial relations were and are so bitter.

### *Reasons for Nationalisation*

The industry cannot possibly be made efficient while the 1,782 pits are in the hands of 746 separate owners (1943). Amalgamation is absolutely essential, as the Reid Report showed.

“There are [says the Report] mines on the point of exhausting their reserves; mines which should be closed down altogether and their reserves worked from adjoining collieries; . . . mines

between which valuable coal has been sterilised to form barriers ; . . . There are undertakings which have a lease of coal that could be better worked to better advantage by another undertaking. . . . There are new sinkings required where the reserves which should be worked from them are leased to two or more undertakings. . . . There are surface plants to be erected which should serve a number of mines, which may be under different ownership. . . . In these circumstances, it is evident to us that it is not possible to provide for the soundest and most efficient development and working of an area unless the conflicting interests of the industrial colliery companies working the area are merged together into one compact and unified command of manageable size, with full responsibility, financially and otherwise, for the development of the area."

For some purposes, too, the industry as whole must be regarded as a unit, just as the mineral was regarded as a unit in 1938, when even a Tory Government was forced to nationalise the mineral resources by transferring coal royalties to public ownership. Thus Mr. Shinwell, Labour's Minister of Fuel and Power, said in the House of Commons on January 19th, 1946, that "the country is definitely short of first-grade mining engineers, and they must be transferred to those districts where they can be of most use to the country as a whole". Research and the development of new machinery, methods and by-products should also clearly be on an industry-wide basis.

But the inter-war years showed that there is, short of compulsion, no way of bringing about comprehensive amalgamation of colliery companies; even under the powers given by the Coal Mines Act, 1930, attempts to form amalgamations foundered on the resistance of one or a few hostile owners.

"The very real difficulty of getting incongruous personalities to work together [said the Chairman of the Coal Mines Re-organisation Commission, which failed to bring about any mergers], doubt by the prosperous of the possibility of linking them on fair terms with the less prosperous, a reluctance by the less prosperous to see a state of relative inferiority that they hoped was only temporary crystallised in the form of a merger, a conviction by each that he would weather the storm better than his neighbours, fear of the loss of personal position—all these inevitable consequences of the industry's traditional individualism created an inclination to turn away from amalgamation as a cure for its troubles and to regard with suspicion anyone whose job it was to foster it."

Even compulsion would, while preserving private ownership, have been extraordinarily difficult to administer, and if successful would have only created a series of private semi-monopolies tied together by agreements for settling quotas and prices. Amalgamation on the basis of public ownership is the only acceptable alternative.

Even if there were compulsory private mergers it would almost certainly still be impossible for the new companies to raise capital, running into hundreds of millions of pounds, on the scale required to modernise the industry. Bankers, financiers and the investing public would, even though rates of interest on debenture stock were very high, be unwilling to risk vast sums in an industry whose profit record is comparatively poor. If the money is to be raised, it must therefore be found by the Government.

The final reason is that the miners, who after all have to do the work in the industry, can never again have any confidence in the coal-owners. The elimination of the "masters" is the condition of better relations in this vital industry. And without a revival of confidence and better relations there is little hope of fathers allowing sons to enter the pits or of the industry attracting the additional workers who are so desperately needed. It is, of course, bound to take time to increase recruitment. There is no longer the spur of unemployment to drive men into the pits, and the industry cannot be made as attractive as others all at once. But with nationalisation the first essential step has been taken towards augmenting total man-power by re-establishing some measure of confidence in the future of the industry.

### ELECTRICITY SUPPLY

Almost as many ambitious plans for reconstruction were advanced during World War I as in World War II; the difference was that very few of the plans were carried out by the Coalition Government which followed the 1918 Armistice. Plans for re-organisation of electricity distribution were among many which came to grief.

The first great step forward was the creation, in 1926, of the Central Electricity Board, a public corporation whose functions were to link up generating stations through the "grid", to concentrate generation on the efficient stations and to "wholesale" current transported over the grid to the distributors. The C.E.B. has important successes to its credit. But it has been handicapped by the extremely complex agreements it was legally compelled to reach with supply undertakings and by the fact that it did not

own the generating stations which it "selected" as the chief suppliers of power. The staffs have a dual responsibility, on the one hand to the C.E.B., according to whose instructions the stations are operated, and on the other hand to the owners of the station who are responsible for station management; staffs have divided loyalties; and some owners decide to devote most of their energies to selling and distribution. Also there are still too many small stations which, for a variety of reasons, the C.E.B. has not been able to have closed down. According to *The Economist* (Jan. 8, 1944) "Many of the smaller ones are retained largely out of kindness to their owners, and the C.E.B., if it owned the whole system, might secure economies by reducing the number of stations." Good as it is, the C.E.B. would be even better if it were the owner of the stations it now controls.

### *Electricity Distribution*

Meanwhile nothing has been done about distribution. In 1936 the McGowan Committee recognised that undertakings were too many and too small, and proposed that the larger or more efficient undertakings should in the course of time absorb the smaller or less efficient undertakings. The bias of the Committee was, however, against the municipalities, and there was such an outcry when the Tory Government, which received the Report, in effect proposed the establishment of larger private monopolies that the Report and the White Paper which followed it were both shelved.

Thorough reorganisation of electricity distribution is now needed. Retention of the present boundaries of supply areas is, for instance, incompatible with efficient development. On the one hand there are the municipal authorities which concentrate on supplying current within their own, usually urban, areas, and which cannot trespass on the area of a neighbouring authority even though it would be far more efficient for one undertaking to supply both areas. On the other hand, there are companies which have acquired their territories haphazardly. The effect was described in the PEP Report, *The Supply of Electricity in Great Britain*.

"An undertaking with an important urban centre may be operating a modest area outside the urban boundaries, while all round is a large territory with small villages in which relatively high prices are charged by a second undertaking. A large power company with a sparsely populated area may acquire a territory of richer potentialities, although the new area added may have nothing in common, geographically or economically,

with the original area of the company. And these areas may be so shaped as to involve an unnecessary long length of line to serve a given district."

Rural areas have been too often neglected by both types of authority. The creation of more economic areas, designed to give each supplier a proper balance between domestic and industrial consumers, would involve a complete redrawing of boundaries.

Then many of the existing (1939-40) 372 public authority undertakings and the 205 company undertakings are too small. Many small undertakings are tied to residential areas, so that they cannot build up more diversified loads. Their financial resources may be inadequate to enable them to pursue a vigorous development policy. They cannot afford to employ specialised technical experts. The multiplicity of small undertakings, each with its own type of electrical appliance for sale or hire, also lowers the efficiency of the electrical manufacturing industry, which naturally cannot produce unstandardised as cheaply as standardised equipment.

The supply areas should therefore be re-drawn and the smaller undertakings weeded out. The private holding companies, like Edmundsons Electricity Corporation, the Scottish Power Company or the County of London Electricity Supply Company, cannot possibly achieve this reorganisation unless the Government give them and their subsidiaries compulsory powers—which would merely enlarge the scope of private monopoly. The only alternative is for the Government to give the same compulsory powers to a public authority in which will be vested the ownership of all supply undertakings.

#### GAS INDUSTRY

Five months after the General Election, in December 1945, a report appeared which endorsed the Labour Party's plea, as it implicitly accepted the Labour Party's reasons, for bringing the British gas industry under public ownership. Its conclusions were most discomfiting to the Tories, since the Committee was under the chairmanship of Geoffrey Heyworth, managing director of Unilever, Ltd., who, in common with three out of his four colleagues, could not by any political twist be called socialist. The Committee had, moreover, been set up by Major Lloyd George, who was a "respectable" Liberal Minister of Fuel and Power before Labour's Emmanuel Shinwell took over.

The central argument of the Report was for larger groupings in the industry, which at present consists of 1,047 separate gas under-

takings, of which 269 are owned by local authorities and the rest mainly by a variety of statutory and non-statutory companies. The Report shows that the numerical majority of these were too small to be at all technically efficient—insofar as they could not afford to employ the necessary skilled technical supervision for control of the various processes and for proper upkeep of the plant. Manufacturing efficiency increases with the size of works up to a maximum annual output of about 10 million therms; only then can the full economies be obtained from technical specialisation and mechanisation. Mechanisation is especially needed to dispense with some of the more arduous physical jobs, for which it will become increasingly difficult to recruit labour; but in small works the installation of labour-saving plant cannot be justified on cost grounds. The efficiency of distribution is also greater for the large works; just as with electricity, the consumption of gas varies throughout the day and seasons. The variability is not so vital as in electricity supply, since gas can, unlike electricity, be stored in gasometers,<sup>9</sup> but it is still a serious matter: the greater the difference between the peak and the minimum demand, the more storage and stand-by capacity there have to be, and the greater the capital charges of the additional plant needed for this purpose. But as a general rule the large works has better-balanced loads. The larger works can therefore economise in storage and stand-by plant.

It is forcefully suggested that, on these grounds, an undertaking with an annual output of less than 10 million therms cannot be fully efficient, but there are only thirty undertakings out of the 1,047 with such an output. Many of the remainder should, in compact urban areas, be absorbed. In the less densely populated areas, where gas cannot be economically piped from larger works, undertakings are necessarily small, but their efficiency could be improved by technical and administrative co-operation. In any case there should in the country as a whole be fewer, larger units, and this involves regrouping of areas.

But the newly grouped units cannot, for economic no less than for political and social reasons, be handed over to private owners. For one thing, if this were done there would have to be an extensive system of control over quality and price, which could not fail to be cumbersome. The Heyworth Report suggests that in the past the elaborate Government controls applied to prevent the consumer from being exploited also prevented the industry from raising its efficiency and competing more effectively with electricity; it concludes "that a solution must be found which will permit the abolition rather than the perpetuation of these controls".

They can be abolished only if they are made largely unnecessary by establishing public in place of private ownership.

### *Fuel and Power Co-ordination*

The nationalisation of these three industries—coal, electricity, gas—which are now, with oil, under the control of the one Ministry of Fuel and Power, will do more than improve the efficiency of each industry considered separately; it will also make it possible to co-ordinate the workings of each. The coal industry has, in the past, been concerned to push the sales of raw coal, the electricity supply industry, processed coal in the form of electricity, and the gas industry, another form of processed coal, in the shape of gas and its various valuable by-products ranging from benzol to formaldehyde (for plastics); the best use of coal has been a secondary consideration. The coal-owners resisted electricity developments such as the Severn Barrage Scheme and favoured the domestic open fire, which makes the atmosphere in Britain the most polluted in the world; gas interests did what they could to persuade builders to reject all-electric homes. Promotional tariffs were employed to stimulate both electricity and gas consumption, even though in some circumstances the development of one rather than the other was definitely harmful from the community point of view. Both gas and electricity undertakings have maintained rival showrooms, and there was nobody to give the consumer, industrial or domestic, impartial advice about the best form of appliance and type of energy—whether gas, electricity, oil or solid fuel—for his particular purpose.

“Gas and electricity [said the 1944 Labour Party Report on Coal and Power] should be partners, not competitors. It might in certain cases be desirable to carbonise coal prior to using it in an electricity station, selling gas as a by-product, and using some of the heat which would otherwise be wasted during the conversion to electricity for process work in gas and chemical working, or to maintain a district hot-water supply. The proper co-ordination of any such schemes can be brought about only by a national co-ordinated scheme including every stage, from the coal seam right up to the consumer’s appliance.”

Public ownership of the three industries will make it possible to co-ordinate their operations, without necessarily removing inter-industry price competition, and to conduct common research into the best ways of utilising the present services of coal-derived

energy. The coal-processing industries can then be developed in relation to oil-derived energy and to the atomic energy whose production has already been "nationalised" and put under the charge of the Ministry of Supply by the Atomic Energy Act of 1946.

### TRANSPORT

The nationalisation of inland transport will be the most far-reaching undertaking of the Labour Government in its first term of office, and the one which is likely to give rise to most controversy. Objections are likely to centre, not on the proposal to socialise the railways, but on the plans for road transport, which is still the preserve of many small operators.

There have only been four main-line railway companies—the London Midland & Scottish, the London & North Eastern, the Great Western, and the Southern—since the amalgamation brought about by the Railways Act of 1921. The wastes of railway competition were such that even an anti-Socialist Government had to form these four companies, each privately owned, but with a monopoly in the greater part of its territory. All that is involved in nationalisation is the substitution of one publicly owned system for these four privately owned companies. The advantages of so doing are many.

Unification would bring better facilities for through traffic between the four systems where interconnections are undeveloped. Cross-country services at present involving more than one company could be improved, as the need for complex negotiations would be avoided. Administrative economies would follow in districts (*e.g.*, Manchester, Birmingham, Leicester, Glasgow, Edinburgh, Bristol, Sheffield) where there is overlapping of services and where each company now has to maintain its own complete organisation. Some of the separate city terminals could be cut out, with a consequent saving of valuable land and greater convenience for the traveller. Travellers' time would be saved at inter-company junctions by the better co-ordination of timetables. Unnecessary accounting would be eliminated if through-traffic receipts no longer had to be split up between the various companies. Standardisation could eventually be extended, and the types of locomotive and rolling-stock reduced so that costs were lowered, repairs could be carried out in any railway workshop and the reserve of spare parts held for the railways as a whole cut down. Unnecessary formalities, such as the change of goods-train engines where different company's lines join, could be avoided. Railway delivery services could be completely pooled in towns



where there is still overlapping. Reserve locomotives and rolling-stock could be used to ease strain in any part of the system. Overlapping in research and development, at present conducted separately by each of the four companies, could be avoided. And new capital could be raised more certainly and more cheaply for modernisation if backed by the Government. New capital will be needed in particular for electrification, starting with such badly served areas as North-East London, Clydeside, South Lancashire and the West Riding.

Some of the economies mentioned have been realised during the war, at whose beginning the Government took over the four main-line railways and the London Passenger Transport Board, controlling them through the Railway Executive Committee. As a result of this unified control, engines, rolling-stock and staffs have been pooled to a greater extent than ever before, and arrangements for exchanging traffic between the different systems improved. It only remains to consolidate war-time control, which has not yet lapsed, by proceeding to full public ownership. But the value of railway nationalisation would be limited unless there were at the same time proper co-ordination between the railways and other forms of inland transport; continuance of the competitive transport war of the past could only lead to further muddle and waste at the expense of the whole body of transport users.

### *Road Transport*

It did not need an expert to see that it was absurd to have two sets of railway lines used by two companies running between the same towns and having their own stations and marshalling yards in each town. It is hardly less absurd to have overlapping transport services on the road. Certainly licensing has prevented the worst excesses of competition between road passenger transport operators: normally there is only one undertaking for each route. But there is still waste where two or more bus systems meet in one city. And municipal bus undertakings are confined within municipal boundaries even where it would be sensible for the routes to run on to a neighbouring town or village. Licensing of road hauliers has not achieved even as much rationalisation as this. Before the war there were still hundreds of companies competing for traffic on the same routes. Lorries sent from Birmingham to London might be unable to pick up a return load and have to return half empty, while others had more than they could carry. There were clearing-houses, but they did not provide a complete organisation for the supply of return loads. With nationalisation

of long-distance road haulage, the existing capacity will be used more fully than it can be where each lorry or fleet of lorries is under separate ownership and control.

The cry of the road-transport operators is that socialisation is impracticable for an industry which has so many small men in it. It is agreed that there would be little point in nationalising the numerous small road hauliers with a small local custom. But that the more important larger haulage concerns could well be brought under public ownership is demonstrated by the success of war-time control. During the war, the Ministry of War Transport set up the Road Haulage Organisation to control transport of all general merchandise for distances of 60 or more miles; many firms were taken over on a charter basis and the vehicles of many others were hired. At one time 34,000 vehicles—or more than half the total of A and B licences—were run by this form of public enterprise. The benefits of the pooling and the higher utilisation of capacity have been considerable. It would be folly to return to the chaotic system of 1939.

#### *Co-ordination*

The chief advantage of road-transport nationalisation is that it will make co-ordination of all forms of inland transport possible for the first time. Traffic will be conveyed by the type of transport best fitted to carry it. Road haulage will, for many kinds of loads, act as a feeder of the railways, so that the number of rail goods depots can be reduced and uneconomic branch-lines and wayside stations be closed down. It will be easier to plan bus services so as to connect with trains, and there will be general inter-availability of tickets. Unification under public ownership will, in other words, be good business for the nation. The value of co-ordination of transport under one ownership has been shown by the experience of the London Passenger Transport Board (although the L.P.T.B. Bill originally introduced by Mr. Morrison in the Second Labour Government was weakened by the subsequent Tory Government). It became possible for the L.P.T.B. to run the underground railways as a whole so that there were, for instance, no longer involved negotiations before proper integration was achieved between the Metropolitan Railway and the District Railway, both operating in places on the same line. It became possible to plan the bus, coach and train services as a whole, so that the development of one service would dovetail with another. It became possible to run fewer buses at higher loads in Central London, with the result that the streets were not quite as congested as they would have otherwise been; it is calculated that £11

millions were wasted annually due to traffic delays within three miles of Charing Cross. It became possible to supply a bus service to less densely populated districts which might otherwise have been largely or entirely without buses.

The Labour Party's case for transport co-ordination was in effect accepted as long ago as 1930 by the Royal Commission on Transport.

"No doubt [said the Report] if a state of affairs could be reached whereby every passenger travelled, and every ounce of goods was consigned, by the most economical route and form of transport, many of our present transport difficulties would disappear. Overlapping and unnecessary services would be eliminated; there would be a complete 'controlled monopoly' of all transport agencies; the rail, the road, the canal and the coastwise ship would convey just those passengers and goods for which each was best adapted; and the savings effected should enable better services to be secured on existing routes and the establishment of services where, for economic reasons, none exist at the present time."

But the Commission, recognising that such a degree of co-ordination was impossible without unification, that unification implied complete monopoly, and that complete monopoly must, if it existed at all, be public, felt itself unable to recommend public ownership because "'nationalisation' has become, to a large extent, a party badge".

### *The Square Deal*

This need for co-ordination was demonstrated by the heated discussions in the thirties about freight rates between the road-haulage operators and the railways who waged a vigorous campaign for what was called a "square deal". The railways have always been accustomed to "charging what the traffic will bear", which means that rates vary in a rough way with the value of the article to be transported, the rate for textiles, say, being very much higher than for coal. This practice, which originated in the last century when the railways had no effective competition, and could increase their profits by charging more for comparatively expensive goods which could afford to bear high transport charges, has developed into the present system of statutory charges, modified by "exceptional rates" granted to some traders, but generally designed to secure for the railways the "standard revenue" which was considered reasonable at the time of the 1921 amalgamation. When road haulage became a serious competitor after World

War I, the railways began to lose their profitable high-priced traffic to road transport and were left with the unprofitable low-priced traffic: the road operators, as it was put, "skimmed the cream" off the traffic. The railways rightly complained that they were prejudiced in the competitive struggle because they were subject to complex statutory restrictions about charges which did not apply to road transport, and because as "common carriers" they were unable to refuse any traffic, however uneconomic, while the road operators could pick and choose.

Just before the war the rail interests (who had by then a large stake in road transport companies) did at last reach agreement on the need for "co-ordination" with the road operators, who were themselves troubled by the extent of rate-cutting in road haulage. They both endorsed the conclusion of the 1937 Report of the Transport Advisory Council on Service and Rates "that with a view to avoiding unnecessary overlapping of services and uneconomic competition it is desirable to establish as great a degree of co-ordination as possible among the various forms of transport engaged in the carriage of goods, so as to ensure that each form of transport is used to the greatest national advantage". If there had been no war, legislation to give effect to this agreement would probably have been passed by the Tory Government. Thus the way was clear for the matching of quadripartite monopoly on the railways with monopoly on the roads. Once again the choice is between private and public monopoly. Public ownership has been chosen, and the result will be that both rail and road transport can be co-ordinated as part of the overall national plan, and themselves used as instruments of national planning.

### *Canals and Docks*

The companies which own the 2,500 miles of British canals and the carrying companies which operate the barges should, and will, be brought into the general public organisation. Thirty-five out of sixty pre-war undertakings were already owned by railway companies, who had allowed the canals to go into disuse. During the war, when the Ministry of War Transport has chartered canal boats on a large scale for the carriage of certain essential commodities, it has been shown that canals can, in co-operation with other forms of transport, perform a valuable economic service. There is no reason why they should be left out of the future unified system. The same goes for harbours and docks, which are already mostly owned by public authorities—by the State (*e.g.*, Caledonian Canal ports), by municipalities (*e.g.*, Bristol), by

statutory trusts (*e.g.*, London, Liverpool)—or by railway companies (*e.g.*, Hull, Southampton).

### *Civil Aviation*

One special reason for nationalisation here is that civil aviation has unfortunately always been aided, in every country, by generous open or concealed subsidies. It will probably continue to be subsidised until such time as aviation is no longer an instrument of national prestige, an aid to any one particular nation's commerce or a source of war potential—in other words until the nations agree to pool air services under international control. Quite clearly it would in the meantime be absurd to subsidise competing companies, as public money would merely be wasted by Company A in attracting traffic from Company B, also subsidised, and bolstering one subsidised company against another. So there must be a monopoly, and, since the subsidies might otherwise go to swell private profits, the monopoly must be public. There are also, as Sir Kingsley Wood, Conservative Air Minister, pointed out in July 1939, when introducing the Bill to entrust all overseas air services to the publicly owned British Overseas Airways Corporation in place of Imperial and British Airways, important technical reasons for concentrating airline operation in one or a few organisations. "There are also", said Wood, "great advantages in unification of the two companies, such as the pooling of expert equipment, ground organisation, technical resources. Again I would say that much also can undoubtedly be accomplished and achieved by the centralised control of the fleet, the training of the personnel, the concentration of management and forward planning."

The Labour Government proposes to set up three public corporations, each of which will be owned by the public instead of by a medley of capitalist interests, as the Coalition Government had previously proposed; routes between the United Kingdom, other Commonwealth countries and the United States will continue to be operated by B.O.A.C., routes between the United Kingdom and the Continent and internal routes in the United Kingdom by British European Airways, and routes between the United Kingdom and South America by British South American Airways. There will be intimate co-operation between the three corporations; in the words of Mr. Ivor Thomas, "Common functions will not be triplicated, but centralised arrangements will be made for the many services that can best be run centrally". In addition, transport airfields will be owned direct by the Ministry of Civil Aviation; capital expenditure on these will be too high for most

municipalities and private companies, some of them will have to run at a loss, and their development will have to be planned in close conjunction with Service needs, with the Ministry of Town and Country Planning, with the Ministry of Transport—as regards roads, with the Ministry of Agriculture and with other Government Departments.

### *Telecommunications*

The Government also arrived at the decision to transfer to public ownership the telecommunication services at present operated by Cable and Wireless, Ltd. Cable and Wireless received every encouragement from inter-war Tory Governments; the beam wireless stations built by the General Post Office after World War I were first leased and then sold, and important Government-owned cables were made over to this company, which was given a monopoly within the Empire. But it was in constant financial difficulties, and its charges were maintained at high levels. The climax to many years of criticism came at the Empire Telecommunications Conference held in the summer of 1945, when the Dominion Governments showed they were no longer prepared to allow their communications to be controlled by a company in which they had lost all confidence; and it was recommended that the telecommunication services of all Commonwealth Governments should henceforth be publicly owned. Even a Tory Government would have been hard pressed to find a reason for refusing to endorse this recommendation.

### IRON AND STEEL

The first reason for unification is that, in pig-iron and steel-ingot production, the larger the plant, the more technically efficient it can be. A large blast furnace will use less coke, will be less costly to build and will, if equipped with charging and handling machinery, be more economical in labour. Large-scale production also brings economies in the case of coke-ovens. "Labour costs, maintenance costs, and capital costs can be reduced almost by one-half by a sufficient increase in the size of the producing unit."\* Coke-ovens, blast furnaces, open-hearth furnaces, and rolling-mills should as a rule be integrated so that the greatest possible fuel economy can be obtained and costly transport between the various stages of processing avoided.

But at present there are too few integrated plants. There is too

\* *The Socialisation of Iron and Steel*, "Ingot". Gollancz.

much high-cost inter-process transport because the production of pig iron and steel in some regions is unbalanced. There are too many small units carrying on their own separate research and development work. There are too many concerns specialising in the finishing sections, making too wide a range of products, instead of concentrating on those for which their plant is best fitted. As a result, before the war the physical output per person employed in the industry was very much less than it was in the United States. In that country, one efficient concern, the United States Steel Corporation, actually produced two and a half times as much as all the companies in the whole British industry—30 million tons of steel ingots and castings in 1944, as compared with the entire British production of 12 million tons, and the number of employees of the companies of the U.S. Steel Corporation was less than in the whole British industry.

But even though there may still be too many small and inefficient units, it is true that there has in the last fifteen years been a striking consolidation of private monopoly power in the industry. Large-scale production has such advantages that even under capitalism the comparatively large plant and administrative organisation has dominated the industry. Large combines have been formed, and, since the cost of a partial shut-down of plant is very high, the combines have tried to assure continuity of raw material supplies by extension of ownership into coal, coke, iron ore and limestone, and stabilisation of markets by extension into engineering, shipbuilding and chemicals. Thus steel has been not only the foundation of industrial strength, but also represents in its ownership the greatest single concentration of capitalist power in the modern State.

In Britain this power has been exercised through the British Iron and Steel Federation, which came into existence in 1934, two years after a tariff had been imposed on iron and steel imports on condition that, as laid down by the Import Duties Advisory Committee, the industry should reorganise itself. The Committee of the old National Federation of Iron and Steel Manufacturers, which met to consider this awkward condition, was scathingly described by Sir William Firth, one of those who attended. He said (in a letter to the *Engineer* quoted in the *Financial News*, March 7th, 1934):

“I was staggered to find . . . that other members of the Committee . . . took the line that the objective of the Committee was to frame a scheme which would ‘pass muster’ with the Government . . . but which would leave individual members

free to 'paddle their own canoes' on a profitable basis that paid little regard to efficiency or production costs."

Thus in effect the only real reorganisation which took place was on the selling and price-fixing side: the Federation through its constituent organisations succeeded in controlling and maintaining prices in practically every branch of the industry. To avoid internal dissension, prices had often to be fixed at levels which would allow the least efficient units to remain in business. In short, the condition on which the tariff had been imposed was not observed. As Mr. D. L. Burn, the chief historian of the industry, said in *The Economic History of Steel-Making*: "the subsequent history of the steel industry, despite superficial appearances, was one of retarded development and British steel making and steel using were still handicapped by needlessly high costs in the late thirties." The report of the Iron and Steel Federation to the Minister of Supply published in May 1946 went far to recognise the inefficiency of the industry by proposing replacement of 40% of its capacity, much of it admittedly war-worn, in the next 7½ years.

The pre-war organisation was perpetuated in the war when the British Iron and Steel Federation virtually became the official Iron and Steel Control. The Federation wanted to extend its life into the peace with strengthened powers to bring about "self-government within the framework of Government policy". The Federation's 1946 report, although it contained detailed suggestions for the scrapping of old and the erection of new plants, assumed that the Federation would continue as a private cartel. It hinted that the Government might have to assist the cartel with finance, since the industry could not meet more than half the total cost of reconstruction of £168 millions out of its own resources. It implied that the Federation would have to be given compulsory powers to enforce conformity with the plan; this issue of compulsion was raised by two steel companies, who protested at the Report's proposal to close their plants. The Federation was in effect asking for Government financial assistance and compulsory powers for a private cartel.

The choice is between the strengthening of private monopoly which may be able to secure greater efficiency but will also be able to keep the benefits of greater efficiency for the private shareholders, and a public monopoly able to advance efficiency far more surely *and* ensure that the benefits do go to the whole community. The Labour Party has chosen the second alternative. So instead of "self-government" there will be public ownership under



agencies which can raise the vast amount of capital required to modernise the industry, provide for a much greater degree of technical integration, canalise orders into the works best fitted to fulfill them and generally take advantage, in the public interest, of the benefits of large-scale organisation. Pending legislation, a Control Board has been set up to supervise production, distribution and prices in the interim period.

### COMPENSATION

The Labour Party proposes that the Government should purchase, not confiscate, the property of the private owners in all these industries; fair compensation will therefore be paid to the former owners. At first sight this proposal may seem inconsistent with the socialist idea, and is certainly generous when compared with the precedent of land enclosures which expropriated Britain's common land and divided it into private estates. Has not the socialist always attacked the immorality of private property in the means of production and the injustice of unearned private income which was derived from that property? And has he not advocated nationalisation because it would eliminate both private property and unearned income at one stroke? If, however, compensation is paid to the former private property-owner, the private property will have disappeared while the unearned income persists; nationalisation *plus* full compensation will do nothing in itself to reduce income inequality. But it would in fact be impossible to proceed to socialism by the gradual democratic road unless compensation were paid. There are other methods—through taxation and social services, through price and profit control—of bringing about greater equality of incomes.

Expropriation would, it can be argued, be unjust and chancy as between groups of capitalists; it would hit first those capitalists whose industries happened to be first on the list for nationalisation. The more serious objection is that private owners in the industries which did not top the list for nationalisation would, if confiscation were the rule, naturally do what they could before their turn came to realise as much as possible of the value of their property. The body of shareholders in a steel company would not wait calmly until the blow fell; not only would they, unless perhaps patriotism restrained their desire for a money return, refuse to sanction any new investment and divide up the money reserves, but they would also be much tempted to sell the companies' assets, for scrap if necessary, in order to get some, rather than no, cash. It also follows that the compensation must be more or less equivalent to

the actual value of the property acquired ; otherwise it would be difficult to prevent some realisation of physical assets.

Fair but not excessive compensation will therefore be paid in all cases of nationalisation. One method of assessing fair compensation is to multiply the net revenue that the owners might reasonably be expected to earn in the future, by the number of years for which that revenue would (as estimated) be maintainable. This is the method to be used in the coal industry, for which a National Tribunal is to be established. Here the net revenue for past years of most of the assets acquired can be simply calculated on the basis of the "ascertainments" which were calculated for wage purposes. The job of the Tribunal will be to estimate how far this past net revenue is maintainable, and then multiply by a number of years purchase to give a global sum of compensation. The global sum will be divided between the different districts by a Central Valuation Board and between the different companies in a district by District Valuation Boards. The compensation will eventually be paid over to the individual companies, which will normally distribute them between their own shareholders.

When previous public corporations have been set up compensation has normally been paid in the stock of the corporation. In the case of the London Passenger Transport Board, for example, the stock of the companies acquired was exchanged for L.P.T.B. non-voting stock (and excessive amounts of it at that). The disadvantages of this practice are numerous : the public corporation has to be run in such a way as to make enough profit every year to meet interest on its stock, and therefore cannot take risks that might otherwise be quite justifiable, nor deliberately make a loss in any one year. Since the value of the corporation stock must not be much less than the value, even if inflated by monopoly profits, of the stock of the acquired companies, the corporation may have to go on charging the consumer high prices indefinitely to meet interest payments which are too large. The employees of the corporation may, moreover, still feel that the "surplus value" of their labour is going to good-for-nothing stockholders.

It is therefore preferable to make the Government the sole owner of the nationalised industry and to pay all compensation in Government stock, which entitles the Treasury alone to receive the profits of the industry. The public Board (or corporation) is (with the Government's sanction) in a position to reduce prices so as to cut out that part of profit which was due to the existence of monopoly, and benefit the consumer instead of the taxpayer. The Government can also give directions to the Board about general

price and investment policy, even though, if it is in the national interest, losses are made in consequence. This it obviously could not do if the losses were to be borne entirely by the private stockholders to whom the Board would have some responsibility even if the stock carried no formal right of control. Compensation will, in fact, therefore be paid out in the form of Government stock.

### FORM OF NATIONALISATION

What type of organisation is to be adopted for these industries when nationalised? There is a choice between two broad alternatives. A nationalised industry can be administered either by a Government Department or by a public Board (or public corporation) appointed by and accountable for general policy to the Government but with a substantial measure of autonomy in management.

The public corporation in one form or another has become, in British practice, a well-tried instrument for management of an industry not run by private owners; examples are the British Broadcasting Corporation and the British Overseas Airways Corporation. And the Labour Party, while recognising that for certain "industries", such as the postal services, Government-Department operation may exceptionally be quite suitable, also favours the public Board or corporation, although the Labour Party's conception of its proper structure is by no means the same as that of other political parties.

The public Board possesses several advantages. It is not staffed by Civil Servants, who, admirable as they are for the greater part of public administration, are usually not technically qualified, nor have they the attitude of mind, to run great industries and to take all the quick decisions necessary in any business. Instead, the public Board can be staffed by men and women largely drawn from industry and accustomed to its problems. Nor can its detailed day-to-day administration be called in question by the House of Commons; invaluable as Parliamentary questions are as a vital feature of the machinery of government, they do undoubtedly induce Civil Servants to be extremely cautious, and their effect on the executives of a nationalised industry would probably be similar. The manager of a rolling-mill whose every action could be questioned in the House of Commons would in all likelihood decide that it was more important to avoid doing the wrong thing, which might be obvious to the uninitiated, than to do the new and risky things which would bring him little credit if

successful and much discredited if unsuccessful; his spirit of enterprise would quite probably be sapped. Then there would be little hope of persuading industrial executives, who have experience of managing large industrial concerns, to join the staff of a nationalised industry if the best salaries they could command would be the top salaries at present paid in the Civil Service. It would be impossible to bring into the Civil Service a few industrialists at salaries two or three times higher than the highest existing grade without causing resentment on the part of the established Civil Servants; it is unnecessary to raise the salaries of the highest Civil Servants to such an extent since the Civil Service can attract at least its fair share of the nation's talent by offering lower rates plus security of tenure. The publicly owned industries must therefore be operated at one remove from the strict Departmental sphere.

On the other hand, the public Board cannot be given its own sovereign economic kingdom and insulated from all Parliamentary control. If nationalisation took this form, the economy would be split up into corporate independent empires, and inter-industry economic planning, for which the Government must be responsible, would be impossible. The Government's duty is to maintain full employment, and this it cannot perform unless it has control over the timing of the investment programmes of the nationalised industries. The Government is responsible, as a necessary part of economic planning, for ensuring that the different industries get their proper share of the available capital equipment; to discharge this responsibility there must be a two-way exchange of information between Government and Board, and the Government must be able, when capital is made available to one nationalised industry, to ensure that the capital is utilised to good effect. It would also be most undesirable for each Board to be empowered to do whatever it thought fit about the price of its products; for a Board could then decide that all the benefits of increased productivity resulting from greater efficiency and higher capitalisation should be retained in the industry by the payment of higher salaries and wages and by the ploughing back of profits on an enormous scale. None of the benefits of greater efficiency would in that case be passed on to other industries and other workers in the form of lower prices. The Government must therefore have a degree of control over the Boards adequate to ensure that their operations are conducive not only to the good of their particular industries, but also to the general public interest.

The Labour Party accordingly holds that, while nationalised in-

dustries must, for the time being at any rate, be operated by separate non-Departmental public Boards, the Government, through the appropriate Minister, should be in a position to exercise reasonable control over their policies. Thus the Act for Nationalisation of the Coal Industry provides that the Minister of Fuel and Power shall be empowered to give the National Coal Board "directions of a general character" on matters which appear to him "to affect the national interest"; his approval must be gained by the Board for its schemes for substantial capital expenditure, education, training and research; and he can call for any necessary reports and information. Similarly, the Civil Aviation Act lays down that the Minister of Civil Aviation is empowered to give to a corporation "directions of a general character as to the exercise and performance by that corporation of their functions". These powers will, with the overriding right of Parliament to decide on the Boards' general policy, be one safeguard against exploitation of consumers. As another safeguard, consumers will have their own representative on special bodies. Under the Coal Act, for example, two councils—the Industrial Coal Consumers' Council and the Domestic Coal Consumers' Council—are to make reports on matters referred to them by the Minister, and on complaints made by consumers; the Air Transport Advisory Council will have a similar function in relation to civil aviation.

### *Appointment to the Boards*

In all cases the members of the Boards will be appointed by the appropriate Minister. Tory Governments which could not avoid setting up public corporations showed an anxiety to depart as little as possible from the forms of capitalist business, and consequently hedged Ministerial powers with restrictions. In the case of the B.B.C. and the B.O.A.C., whose operations were so closely bound up with public policy, even the Tories plumped for appointment respectively by the Prime Minister (advising the King) and by the Air Minister. But with the C.E.B. and the L.P.T.B., which were more analogous to capitalist business, more curious expedients were adopted. Thus the Minister of Transport was to appoint members to the C.E.B., not on the sole ground of ability, but after consultation with the following interests: local government, electricity, commerce, industry, transport, agriculture and labour. And when the National Government took over Mr. Morrison's Bill for the L.P.T.B., they altered it so as to deprive the Minister of his proper powers: the members of the Board were, instead, selected by a body of Appointing Trustees (who were

without responsibility to anyone for their choice and did not necessarily have any knowledge of business, let alone transport), comprising the Chairman of the L.C.C., a representative of the London and Home Counties Traffic Advisory Committee, the Chairman of the Committee of London Clearing Bankers, the President of the Institute of Chartered Accountants of England and Wales, and the President of the Law Society. There will be no retention, under a Labour Government, of such a farcical procedure.

In the past there has been much controversy in the Labour Party over the issue of "workers' control". One of the purposes of nationalisation is, by enabling the workers to share in the control of industry, to bring about a much greater degree of economic democracy than has hitherto existed. It has been argued that one means of doing this would be to require the Minister to appoint to any public Board certain nominees of the appropriate Trade Unions; and one Civil Service Union—the Union of Post Office Workers—still stands by Guild Socialism "through which all the workers should control any process of industry". But it is now generally agreed that the Unions should not have a statutory right to so many places on the Board. Such a ruling would place the Union members of the Board in an impossible position, because they would have a dual loyalty, one to employer and one to employee, and might in any case cease to be regarded by the Unions themselves as their representatives after they had held office for some time. All members of public Boards will therefore be appointed purely on grounds of their capacity for the job. The Coal Act provides, for instance, that the members of the Coal Board will be appointed by the Minister from among people with "experience of, and capacity in, industrial, commercial or financial matters, applied science, administration or the organisation of workers". Nevertheless, although there is no such short cut to economic democracy, it does remain one of the outstanding aims of nationalisation, to be achieved not through formal representation on public Boards (although individual Unionists will of course be appointed on grounds of their ability), but through the Unions themselves. The Unions can be the means whereby industrial co-operation replaces industrial conflict. Through their Unions, the workers can have a full share in the control of their industry at every level—from the Board, which will be co-operating with the Unions in handling general policy on wages and other matters, to the local works or mine, where there will be co-operation between managers and Unionists through the Joint Production Committees, Pit Production Committees and similar bodies. As

workers have the opportunity of getting more technical knowledge about industrial processes they will be able to play an ever more effective part in the control of their industrial environment.

No one in the Labour Party would claim that the last word had been said about nationalisation, or that the Party's views on the subject need not undergo further development. The idea of nationalisation is not a rigid formula, but a broad conception of the way in which an industry should be organised in the public service. There is scope for variety in structure and for continuous experiment in methods of public administration. That is the way in which the organisation of nationalised industries can be steadily improved and the ground cleared for a rapid extension of public enterprise. And this is the aim of the Labour Government.

## CHAPTER V

### THE GOVERNMENT AND PRIVATE ENTERPRISE

THE TRANSFER to public ownership of these basic industries will represent the greatest economic change brought about by the Labour Government, and as such has been given pride of place. But the fate of the nation in the coming years will depend less on the effectiveness of nationalisation than on the success of the industries remaining in private ownership. Even when Labour's first nationalisation programme has been completed the proportion of workers in productive industry employed in the public sector will not be much more than 20% of the total. It is true that the proportion of total investment—a strategic factor in the economy—initiated by public authorities will be much greater than this. But it is clearly also true that the standard of living of the British people will be influenced far more by what happens in the private than in the public sector. That is why the Government's policy towards privately owned industry is of such importance.

It would be wrong and absurd to mark off the frontiers of privately owned industry and then to say that until the Government marches across the boundaries in full force with intent to nationalise, the sovereign owners will be able to behave just as they have always done. Here, as elsewhere, the Labour Party asks what the public interest requires and, in the light of the answer, what action is needed. It answers that the public interest requires higher efficiency on the part of private industry as well as conformity with the general national plan of priorities. It believes that the Government should help to realise both these ends by suitable measures of assistance and control, and that they can be achieved only by a partnership between Government and private enterprise.

As early as 1941 the Labour Party declared its belief in the "necessity of retaining the main war-time controls in industry and agriculture".

"The vital lesson of the last war [said the Executive Report on *The Old World and the New Society*] is that, without them,



(controls), the post-war scene becomes an ugly scramble for profit in which there is no serious attempt to assess, in any coherent way, the priorities of national need. The necessity of establishing these priorities, in the building industry, for example, will be very great. That will determine the manner and rate of transformation of the heavy industries, of the furniture trade, of the new and important science of plastics. It will enable the reorganisation of our export trade to proceed in an orderly and balanced way. It will prevent—as it is urgent to prevent—the exploitation in certain industries of the smaller, but often efficient, manufacturers by the great monopolies. It will secure a more equitable distribution of commodities, and enable the necessary costings and price controls to be maintained in a period in which, without them, the danger, as in 1920, of a soaring market and, accordingly, of reckless speculation will be very great.”

The first major act of the Government was to secure the powers needed to continue war-time controls by introducing in October 1945 the Supplies and Services (Transitional Powers) Bill. This Bill, which was subsequently passed through both Houses of Parliament, empowered the Government to use and adapt Defence Regulations necessary for the

“purpose of so maintaining, controlling and regulating supplies and services as

(a) to secure a sufficiency of those essential to the well-being of the community or their equitable distribution or their availability at fair prices; or

(b) to facilitate the demobilisation and resettlement of persons and to secure the orderly disposal of surplus material; or

(c) to facilitate the readjustment of industry and commerce to the requirements of the community in time of peace; or

(d) to assist the relief of suffering and the distribution of essential supplies and services in any part of His Majesty's dominions or in any foreign countries that are in grave distress as the result of war”.

The Bill differed in two important respects from a Bill, otherwise on similar lines, which had been presented by the Coalition Government but dropped by the Conservative “Caretaker” Government which carried on during the election period. The Bill conferred additional powers for controlling the prices of goods

and the charges for services; and its duration was extended from two to five years. There will still be grave shortages at the end of 1947, and it would be quite unjustifiable to give the impression that the necessary economic controls will have served their turn by that time.

"We feel," said Mr. Chuter Ede, the Home Secretary (House of Commons, October 9th, 1945), "that by putting a period of five years into the Bill we are giving the country an assurance that we realise the difficulties with which they will be faced, and that we are determined that while shortages last and economic difficulties confront us the utmost efforts will be made by the Government to ensure that fair dealing as between one citizen and another shall still be secured by the State."

The very wide powers of control bestowed by this Act are being used to plan the economy in the transition period. Of course many hundreds of war-time Defence Regulations—austerity clothing restrictions, for example—have been suspended, but powers vital to economic planning will be retained. The way in which these powers will be used was indicated by Sir Stafford Cripps on February 28th, 1946.

"No country in the world, so far as I know," he said, "has yet succeeded in carrying through a planned economy without compulsion of labour. Our objective is to carry through a planned economy without compulsion of labour. The general idea is that we should use a number of controls, in order to guide production into the necessary channels, according to the plan which we have formulated. The principal controls will be financial, including price control and taxation, materials control, building control, machinery and exports control. All these have been in operation during the war, and certainly, as long as there are scarcities to be distributed, these controls will serve to persuade production into the right and most useful lines."

The way in which controls do work in practice, and the results achieved, can be illustrated by reference to exports and utility production.

## EXPORTS

The British people depend on imports of food to keep them alive and on imports of raw material to keep the wheels of industry turning. These imports must be paid for in foreign

currency, which can only be gained from the earnings of British investments in overseas countries, from payments for services rendered to the people of overseas countries or from the proceeds of the export of goods. Since, as explained more fully in Chapter VIII, most of Britain's overseas investments have been sold to pay for the war, it follows that the export of services and goods must be expanded beyond the pre-war level in order to pay for even the pre-war level of imports. One-quarter of all manufactured products, as compared with 15% before the war, must, according to Sir Stafford Cripps, be exported in future. The Labour Government will have to take *all* steps necessary to secure this increase.

In the immediate post-war years there will, due to the deprivations of war and to the time lag in recovery from it, be a world scarcity of practically all types of goods; there will, in other words, be a seller's market the world over. British manufacturers will therefore be able to sell almost anything they can produce both in the British and in every other market. The problem is to ensure that there is a balance between home and overseas markets, so that the British market does not absorb too great a share of the total production.

The different industries are treated according to the home market priority attached to the products of the particular industry and according to the suitability of the product for sale abroad. Export licensing prevents the sale abroad of essential goods urgently needed at home, allowing only small amounts required to maintain or build up vital market connections overseas. For many other goods export targets have been fixed. In the first six months of 1946 the export target for private cars, motor cycles and cycles was, for example, 50% of production, for electric cables 30%, for industrial combustion engines 65%, for non-priority sports goods 40% and for photographic goods 50%. Such targets as these have been freely agreed with the Trade Associations and Export Groups concerned. These have not been asked to run counter to the interests of their own industries; in many cases the profits to be earned from sales in overseas countries, where prices may be rising more rapidly than in Britain, are actually greater than from sales in Britain, which retains an extensive system of price control, reinforced by heavy purchase taxes on home sales of such goods as motor-cars. But the Government has the power to withhold certain raw materials and machinery licences, and can use this power to foster exports. As a result of these efforts by the Government, and of the efforts of Britain's manufacturers, exports have been rising very sub-

stantially; in July 1945 the figure was £33 millions per month, but in May 1946 the monthly figure had risen to £85 millions, or 15% greater in volume than the 1938 average. This figure was so satisfactory and such a tribute to the effectiveness of control, that the original export target of £750 millions for 1946 was revised upwards as from the middle of the year.

Official agencies are being reorganised to give more effective assistance to exporters. The Department of Overseas Trade, which used to hover uneasily between the Foreign Office and the Board of Trade, has been brought wholly under the Board of Trade, the main department in charge of home production, and is now called the Export Promotion Department. The Export Promotion Department, with the aid of Trade Commissioners or commercial attachés in every important overseas country, supplies information about markets required by any British exporter and is ready to put British exporters in touch with overseas buyers. The Export Credits Guarantee Department, working as part of the Board, is prepared to guarantee exporters against loss caused by the failure of overseas customers to pay their bills. Then in each region in Britain Export Officers have been appointed to aid individual exporters and would-be exporters, many of whom would willingly sell abroad if they knew how to go about it; the duties of these officers, who will keep in touch with the great majority of local firms, are to stimulate interest in exports, advise on methods of producing the right goods, find overseas purchasers where necessary, help to ease bottlenecks in the supply of materials and components and indicate where all types of specialist information can be found. Important as this Government organisation is now, it will be still more important when the seller's market disappears and when nothing less than the greatest efficiency, in producing and selling, will be sufficient.

Utility goods, produced according to standard specifications formulated by the Government, have been a most successful wartime innovation. The utility principle enabled price control to be effective; it is extremely difficult to control the price of unstandardised goods, which differ greatly and cannot well be defined, but much less difficult where the goods are standardised and defined in certain broad categories. It enabled materials and manpower to be economised; each registered producer manufactured long runs of a few articles instead of a wide range of many different articles. It enabled products designed by the best designers, employed by the Government, to be made available to the ordinary consumer; in peace-time the poor were doubly exploited—because they were poor in the first place and because

the design and quality of the goods they could afford to buy were, penny for penny, shoddier than those of more expensive goods.

The need for price control and economy is no less now that the war is over, so utility production is being continued for a large number of commodities, in particular for clothing and furniture. Raw materials are not normally guaranteed for the goods in question unless they are utility models. The Board of Trade's general policy is to enlarge the number of such models while retaining the utility principle. Thus in March 1946 the Board announced that in future two new series of designs of furniture, one more expensive and one cheaper than the existing range, would be produced; the best would be named Cotswold, the cheapest Cheviot, and the existing series, whose production rose four times between January 1945 and January 1946, renamed Chiltern.

#### TOWARDS A MORE PERMANENT FRAMEWORK

As the most acute shortages are relieved some of the controls which have been considered will no longer be necessary or effective. Control over raw material allocations will, for instance, become less effective as the supply of materials becomes more abundant and the range of peace-time products increases. In the meantime more lasting forms of relationship between the Government and private enterprise will have to be developed. Already certain permanent changes are being made in the machinery of government. Thus, the war-time Regional Production Boards have been reconstituted; composed of three representatives of employers and trade unions and the representatives of the main departments concerned with production, they are to advise Ministers on industrial conditions in the regions and keep local industry informed about Government policy.

But there is also need for some more permanent relationship between the Government and each industry. This is where the new industrial Working Parties come in. The main purpose of the Working Parties is to put forward proposals, industry by industry, for reorganisation in the interests of higher production, and to do so in advance of the time when the disappearance of universal scarcity conditions will both temper the effectiveness of certain controls and remove the unlimited market for the products of inefficient as well as efficient concerns. There is no time to lose, as Sir Stafford Cripps emphasised in October 1945, when announcing the formation of the first Working Parties.

"I have [he said] explained to these industries that, while for

a year or two they and other British industries will have no difficulty in selling abroad all they can produce, the special advantage of a seller's market in a period of world shortage will end and a time will come when it will be difficult to find and keep all the markets we need. We cannot wait until these difficulties are upon us; we must forestall them if we are to be able to cope with them when they arrive. We cannot, therefore, neglect any steps which on the one hand will make our industries more competitive in the markets of the world, and on the other will provide us at home with the best goods at the cheapest price consistent with good conditions for those in the industry."

The Working Parties are an expression of the new partnership between the Government, the workers and the employers. They are made up of equal numbers of representatives of the Government, the employers and the workers and an independent chairman, all appointed by the President of the Board of Trade. Their terms of reference are

"To examine and enquire into the various schemes and suggestions put forward for improvements of organisation, production and distribution methods and processes in the industry, and to report as to the steps which should be taken in the national interest to strengthen the industry and render it more stable and more capable of meeting competition in the home and foreign markets."

So far Working Parties have been set up for the following industries: Boot and Shoe, Carpet, China Clay, Heavy Clothing, Cotton, Cutlery, Domestic Glassware, Hosiery, Jute, Lace, Jewellery and Silverware, Linoleum, Pottery, Furniture and Wool.

The first two Working Party Reports to be published were on the Pottery and Cotton industries. The latter (in a majority report) made far-reaching proposals for the reorganisation of a major industry within the framework of private ownership. There is, it was pointed out, likely to be a continuing shortage of cotton workers, and the industry will have to become accustomed to a small, highly paid labour force, with a higher proportion of men, instead of a large cheap labour force containing mostly women. In these circumstances the only way the industry can meet home and overseas demand for cotton is to introduce new equipment—automatic in place of Lancashire looms and ring in place of mule spindles—on a grand scale. An Equipment

Board should be set up by the Government (1) to administer a levy on yarn and on looms, whose proceeds would be used to finance part of the new capital equipment, and (2) to supervise the amalgamations of producers which would be necessary if the excess capacity of obsolete spindles and looms is to be smoothly immobilised. The industry would be given three months to arrange these amalgamations voluntarily, but after that compulsion would if necessary be applied. A Central Factory Company, whose shares would be held by firms in the industry, would own and operate a number of model "yardstick" factories which would try out new methods and encourage the private firms in the various districts in which they were situated. Merchants should join as shareholders in a Central Marketing Company, which would pool small orders and pass them on to the producers, who would then be able to secure long runs of production. The central organisation for the industry would be the Cotton Council, appointed by the Government, with equal numbers of employers, Trade Union and independent members.\*

When all the reports have been received, the Government will have the benefit of the pooled knowledge, experience and ideas of the people in the industries concerned, assisted by outside experts, and will then be in a position to take action appropriate to the individual circumstances of each industry. The Ministry of Supply and Aircraft Production, which is responsible for the engineering industries, has, for its part, appointed permanent advisory councils for the Motor Manufacturing, Machine Tool and Shipbuilding Industries.

Irrespective of what the Working Parties may recommend, it is quite clear that the Government will be very ready to assist industry to improve its productivity provided there is an assurance that the increased productivity does not only benefit the shareholders. But there can be no such assurance wherever there is monopoly, and the Labour Government is therefore considering measures to curb the powers of monopolies and to honour its promise in *Let us Face the Future* that "Anti-social restrictive practices will be prohibited". Meanwhile, until such time as the Parliamentary time-table permits the passage of new anti-monopoly legislation, reliance is being placed on the powers given by the Supplies and Services (Transitional Powers) Act.

"The Government [said Mr. Chuter Ede] include these powers in this Bill, and intend to use them, particularly their

\* It was decided before the Report was issued to preserve permanently Government purchase of raw cotton.

powers of price-control, to prevent anti-social practices such as charging excess prices, whether for materials or finished goods."

### GOVERNMENT AIDS INDUSTRY

In what ways will industry require Government assistance? In the first place more investment in labour-saving capital equipment is essential if overall economic efficiency is to be enhanced, and the surest method of bringing about a higher rate of investment is for the Government to maintain full employment. Full employment means not only that it is possible to plan ahead on the basis of a steady demand for the products of industry, but also, since labour is scarce, that there is a strong incentive to substitute capital for labour. One of the chief reasons why U.S. productivity is higher than the British is that, apart from the greater standardisation of American goods, there is relatively more capital equipment in the United States. One index for this is the relative consumption of electric power, and although the figures are not strictly comparable, the 1937 consumption of power in Great Britain was 224 kilowatt-hours per head, while in the United States consumption for light and power in large establishments (by comparison with Britain, leaving out power in small establishments but including light in large establishments) was 398 kilowatt-hours per head. The outstanding cause is that for many years up to 1929 American labour was scarce and wages high, and American employers have therefore been under constant pressure to find ways of economising labour by introducing more mechanical equipment. By maintaining high employment in Britain, fostering the same labour shortage that has until recently existed in the United States, the Labour Government will encourage the same substitution of horse-power for man-power. A great responsibility for making the best use of the new and existing capital equipment will at all times rest on the Joint Production Committees and similar bodies, which, with the backing of the Trade Unions, should become an ever more important feature of British industry.

Taxation is also a useful instrument of policy. The 1944 Budget, for example, provided that, apart from the allowances for wear-and-tear and obsolescence, which are left out of account when taxable profits are computed, there was to be a special initial allowance of 20% of the cost of new plant and machinery and a 10% allowance for all expenditure on new industrial buildings. This allowance is being preserved by the Labour Government. Mr. Dalton also proposed, as a feature of his first



Budget, that the Excess Profits Tax post-war credit, amounting to 20% of the total, should be immediately refunded to assist in the re-conversion and re-equipment of industry. E.P.T. was to be entirely repealed as from December 31st, 1946. During the later war year E.P.T. took the whole of any profits in excess of the "standard" in a pre-war period. It prejudiced the firm which was expanding before the war and had low profits, as against the well-established firm yielding high profits. Repeal will enable the expanding firm to expand further, and should encourage investment. The Profits Tax of 1s. in the £ on all profits before distribution remains in force, and may be supplemented by some new tax on profits or excess dividends.

In one minor but interesting case the Government has taken steps to encourage the development of a new British industry. Before the war Britain relied on imported clocks and watches, over 7 million watch movements and over 5 million clock movements being imported annually; during the war the Services were handicapped by being unable to obtain clockwork fuses, clocks and watches. The Government is now itself acquiring suitable plant and leasing it to watch manufacturers. To train the technicians, a National College for Clock and Watch Manufacturers is to be started.

### *Scientific Research*

In the second place, the Government will stimulate scientific research on behalf of industry.

Various studies have shown that science was grossly neglected in pre-war Britain in relation to other countries. Comparative figures for the total expenditure on scientific research and technical development, although admittedly only very rough, have, for instance, been calculated as follows:

Great Britain . . . . .	0.1%	of national income
U.S.A. . . . .	0.6%	„ „ „
U.S.S.R. . . . .	1.0%	„ „ „

There was a great contrast in war-time. When the nation's existence depended on being several jumps ahead of the enemy in the race for technical supremacy, all scientific resources were mobilised. Teams of scientists, backed with ample finance and material, were set to work on many-sided problems, and achieved astonishing successes. These teams studied needs and indicated the appropriate direction of advance; by scientific development new industrial products were created; operational research again revealed the drawbacks of the product in use and prepared the

way for further advance. The Labour Party wants to see scientists trained and used in the same way in this coming period of peace, which, with the emergence of atomic energy and other scientific achievements, has been called the period of the second Industrial Revolution, but with the different object of raising productivity and the standard of living. "The genius of British scientists and technicians who have produced radiolocation, jet propulsion, penicillin, and the Mulberry Harbours in wartime, must", said *Let us Face the Future*, "be given full rein in peacetime too."

Herbert Morrison, who, as President of the Council with responsibility for the Department of Scientific and Industrial Research, is the Minister most closely concerned, is fully aware of the need for encouraging science as much as possible. In November 1945 he appointed a committee of leading scientists and others to advise how to make the best use of, and to develop, Britain's scientific man-power in the next ten years. Reporting in June 1946, the committee proposed that the Universities should be helped to educate many more scientists so that the estimated British needs for a total of 70,000 qualified scientists in 1950 and 90,000 in 1955 could be satisfied.

Mr. Morrison's general attitude was expressed in the speech he made at the Conference on Science and the Welfare of Mankind of the Association of Scientific Workers on February 15th, 1946.

"In Britain to-day [he said] we are attempting to reorganise our affairs and to do so in a planned, tidy and scientific way. . . . To do this, to make this plan and carry it through, we must recruit our scientists. We are taking a progressive step in co-ordinating the work of all kinds of scientists—the economists, the medical men, the dieticians, as well as the physicians and the chemists—and harnessing their thought and effort to the machinery of government. We have an urgent need of the help of scientists in industry, and a special task to encourage industry to use the scientists. We are very active about this, and the British Government is giving financial help to industrial research associations and encouraging co-operative group research in industry. We are also giving special and valuable exemptions from income tax to encourage industrial research."

Mr. Morrison was referring to the fact that, as initiated by Sir John Anderson in his 1944 Budget, capital expenditure on research should be allowed over a period of five years, or over the life of the assets, if shorter, as a deduction from profits for income-tax purposes, and that all current expenditure on research and all

payments to a central research body or a university should be similarly allowed. The Labour Government will retain this provision and in many other ways assist scientific effort.

In the third place, the Government is making available to industry certain common services as an aid to efficiency. The Production Efficiency Service formerly attached to the Ministry of Aircraft Production has, for example, been taken over by the Board of Trade, and will (with a former Trade Unionist as its Director) be on tap for those firms which need advice on their own technical problems. In the first stages of its existence priority will be given to firms producing for export or for the most essential home needs. The Board of Trade Council of Industrial Design (established by Mr. Dalton in December 1944) is available to help firms in a similar way on matters of design. One of its main functions will be to encourage industries to set up Design Centres to study the design of their products, to collect information about public taste, to conduct experiments on design, and to train designers. On the recommendation of the Council, the Government will make grants to these Centres. The Council organised the "Britain Can Make It" exhibition in September 1946, at which some examples of first-class designs were displayed to the world; and the first post-war British Industries Fair will be held in 1947. The Government may also decide to hold an International Exhibition in London in, or soon after, 1951, which is the centenary of the first Great Exhibition in Hyde Park.

As a result of the Report presented by the Baillieu Committee to Sir Stafford Cripps, a British Institute of Management is to be established for carrying out research, for spreading information on methods of management and for advising on management training. The Government is to make a grant of up to £150,000 to the Institute for an initial period of five years.

In addition, there will in particular industries be a very close day-to-day partnership between the Government and private enterprise. This will, for instance, be the case in the fields of housing and agriculture. Most of the houses will still be built, and the food grown, by independent producers, but they will be, as the following pages show, working in a relationship with Government much closer than the majority of other producers.

## HOUSING

"If something isn't done about housing—well, you can rub the Labour Party off the map. They say they'll get things done. O.K., we'll wait for a bit and see whether they're like the other

chaps when it comes to housing." Millions of people—members of a family living in one room in a basement, ex-Service men back from Germany but with nowhere to live, newly married couples still lodged with their in-laws—have said something like this in the last year. They know, and the Labour Party knows, that housing is a crucial test for this Government.

There is the bomb-damage to make good. During the war 200,000 houses were destroyed, a quarter of a million damaged but not rendered uninhabitable, and over 4 millions recorded as damaged. The repairs alone will take years to complete. There is the colossal leeway in normal repairs to make up; before the war a large part of the whole building force was engaged on repairs, but during the six years of war there were no building workers to spare for even essential repairs. Even if the position were not so much worse than in 1939, there would still be a great shortage of houses, due to the increase in the number of separate families. But we cannot possibly be satisfied with a return to 1939. The fact is that, in Britain, as in every other country, the quantity of houses built had never even caught up with the growth of population, and the quality of the tenements and hovels in Britain's urban and rural slums which "housed" so many of Britain's families was a crying disgrace. The rent which poorer people could afford to pay was apparently never high enough to induce landlords to build new working-class houses; private enterprise was never able to do more than build houses for those who could afford to buy them.

The consequence is that to make good the arrears of war, and to raise standards far beyond those of 1939, literally millions of new houses are needed, and to the houses must be added the required new factories, schools, health centres, hospitals and office-buildings. All this has to be started at a time when labour and materials are desperately scarce—so that a great impetus has been given to the search for new building methods to supplement those which have existed, substantially unchanged, for thousands of years.

The Government (acting mainly through the Ministry of Health) has, in the first place, done much to ease the acute shortage in the first few post-war years. Prefabricated temporary houses, as planned by the Coalition Government, have been purchased by the Government from the manufacturers and passed on to local authorities; although the pace of deliveries has so far been a disappointment, towards the end of 1947 about 160,000 temporary houses should have been erected. Building repairs have been stringently controlled under licence, so that too much

labour and materials shall not be diverted from house-building and priority repairs. Local authorities have been given greater powers of requisitioning unoccupied premises and all house-holders urged to let any empty rooms they may have.

### *Partnership in Action*

The division of responsibility for the building of permanent houses is such that the local authorities will be the owners of the new houses, ordering, financing and managing them, while private building contractors will actually build them. A local authority can employ direct labour, and can license private builders to proceed with some houses financed and owned privately, but in general the Councils will, like the industrial company which orders a special machine from its makers, be the buyer of the house and the builder the seller.

There were before the war local authorities which pressed forward energetically with their own housing schemes, even though they got little encouragement from the Tory Governments of the day; in these circumstances it was creditable that in the inter-war period 1½ million houses were built by local authorities. But as many as 3 millions were financed as well as put up by private builders. So the Labour Government's decision to entrust the main responsibility for the housing programme to local authorities marks a big change—a change that the Tories have naturally denounced as an unnecessary one born in the swamp of socialist theory.

Why does the Labour Party favour public enterprise in this case? The answer is that as a housing agency the local authority has immense advantages over the speculative builder. Here are some of them. (1) It is generally agreed that the houses most needed in the future are houses to rent to working-class tenants. Who, then, is to be the landlord? If the same body that is responsible for the building must also, as the landlord, bear the repair bills in the future, there is every chance that the quality of the building will be high in the first place; there will be no temptation, to which the jerry-builder so often fell victim, to put up a shoddy building. But the private contractor who can, and in the thirties did, manage to build houses for sale to middle-class people, is ill-placed to act as the landlord as well. Usually he has not sufficient financial resources, even with help from the building societies, to enable him to wait for a period of years until he gets his money back in rent, whereas a Council has. (2) Certainly he very seldom has the finance needed for rebuilding and replanning large areas as a whole; but large-scale replanning is needed,

and local authorities who have the money, and who are often the town-planning authorities as well, are the obvious bodies to do the job. (3) The speculative builder's aim, if he does build to let, is to rent his houses to wealthy tenants who are good risks, and not to the poorer tenants, even though they are in most need, whereas the Council can take tenants according to priority of need. (4) Large-scale rehousing of poor tenants from slum districts, involving re-education and skilled management, can only be handled by an agency like a local authority, which has the necessary organisation. (5) Local authorities can, since the risk is less, raise money at lower rates of interest; for private builders may, but Councils cannot, go bankrupt. Interest is such a large part of the rent—a rate of interest lower by 1% means a reduction of 4s. on the rent of a house costing £1,200—that it is imperative to secure rates as low as possible. (6) Local authorities buying building materials in bulk can purchase at lower prices than any but the largest contractors. (7) Finally, the Government can in the interests of employment policy exercise a greater degree of control over investment in housing, which is such a large part of the total, if the investing agencies are local authorities.

For these reasons the local authorities are going to play a far bigger part in the building programme than they ever did before the war.

The Government is giving financial assistance to local councils on a more generous scale than ever before. The General Standard Subsidy from the national Exchequer is to be £16 10s. per house per year for sixty years (equal to a capital value of £445 10s.), instead of the previous £5 10s. for forty years, and for agricultural workers' houses £25 10s. per year for sixty years, as compared with £10 previously. The high rate of subsidy is also to be paid in poor districts with low rent-paying capacity. The aim is that rents (excluding rates) should, with the aid of these subsidies, eventually be no higher than 12s. 6d. a week in London, 10s. in other towns, and 7s. 6d. in the country.

The Ministry of Works and the Ministry of Supply are responsible for the supply of materials. They are adopting a variety of means to ensure that house-building is not held up by shortages. In some cases components will be manufactured in Government-owned Royal Ordnance Factories; in others materials will be ordered in bulk from manufacturers; in yet others private firms will contract to produce given quantities of certain articles on the understanding that if any are eventually unsold the Government will indemnify the firms against losses. All these

methods will also be used for the production of the two main types of permanent prefabricated house. Technically, these represent the most far-reaching innovation yet tried. Mr. Aneurin Bevan, Minister of Health, believes these houses are so good that Britain may perhaps in later years be able to develop an export trade in mass-produced houses in the same way that the United States has in the past developed the export of mass-produced cars.

As regards town planning, the Ministry of Health is co-operating with the Ministry of Town and Country Planning. Very ambitious reconstruction plans have been drawn up for most of Britain's great cities. The city councils are being given the necessary powers. The first step was the Town and Country Planning Act of 1944, which empowered councils to acquire by compulsory purchase almost any land needed for re-development. The price was, in normal cases, fixed at 1939 levels. The procedure for acquisition was speeded up by the Acquisition of Land Act of 1946. Further comprehensive town-planning legislation is now being prepared. The New Towns Act of 1946 allows the Minister of Town and Country Planning to set up public Development Corporations with responsibility for building the many entirely new towns which will house those who leave the over-congested cities when they are replanned at lower densities.

#### FOOD AND AGRICULTURE

Nothing is more important for the health and welfare of the people than sound nutrition; for sound nutrition there must be a sound food policy; for sound food policy there must be an efficient agriculture producing the right foods. These are the three essential elements in Labour's attitude to food and agriculture. The first step is that the Ministry of Food, begun in war-time, has been made permanent; it will continue to arrange for the supply of, and often will itself buy in bulk, the foodstuffs required from abroad, and will co-operate with the Ministry of Agriculture in determining price and output policy for home agricultural products. It will improve marketing methods; a Committee is, as a first step, to study milk distribution. The broad purpose of the Ministry will be to fulfil the responsibility, accepted on behalf of the Government by the Minister of Food (House of Commons, November 7th, 1945), "for ensuring that adequate supplies of food necessary to health are available to all members of the public at reasonable prices, and, in accordance with the recommendations of the United Nations' Conference on

Food and Agriculture at Hot Springs in 1943, the responsibility for raising the standard of nutrition of the people”.

All wars have been good wars for the farmer, but this last war has been unique in that British agriculture has also been sweepingly reorganised, with benefit to the farm workers, the farmers and the nation as a whole.\* The Government, acting as a rule through the War Agricultural Executive Committees, consisting of working farmers, has controlled almost every agricultural operation and fostered the most valuable co-operation between farmers. Directions have been given on what to grow, and inefficient farmers dispossessed. The Government gave the farmers the security that had been so conspicuously absent in peace-time by firmly guaranteeing prices for almost every agricultural commodity, and for wheat, potatoes and rye there was also a guaranteed acreage payment receivable even though there was a complete crop failure. The consumer has been protected from high prices by food subsidies. Subsidies have been given to the farmer in respect of old grassland ploughed up; re-seeding has added enormously to the value of grass used as cattle fodder. Mechanisation has taken a big leap forward; combine drills, disc harrows, combine harvesters, sweeps, milking machines, robot planters, mechanical excavators and crop driers have, for instance, come into much wider use, and the number of tractors has multiplied. The consequence is that British agriculture has produced, more efficiently, more than ever before.

The world shortage of food is even more acute now than it was in war, and the need for high production just as critical; and even when the shortage is no longer so desperate, Britain's agriculture will still be called upon to produce the maximum quantities, although the particular foods suitable for home production will change as importation becomes easier. The Labour Party believes that both in the shorter and in the longer run, maximum production, with good wages for the land-workers and a fair return for the farmer, can only be secured by retaining, and building on, many of the methods of control adopted in war. This was clear from the Party's election programme and from the subsequent statement made in the House by Tom Williams, the Minister of Agriculture, on November 15th, 1945.

“The Government [said Mr. Williams] propose to establish as an essential and permanent feature of their policy for food and agriculture, a system of assured markets and guaranteed

\* *Towards a Socialist Agriculture*, H. W. Bateson and a Group of Fabians. Gollancz 1946.



prices for the principal agricultural products, namely, milk, fat livestock, eggs, cereals, potatoes and sugar beet." Prices for cereals, potatoes and sugar beet will be fixed 18 months ahead of the harvest. "The existing system of fixing prices for fat livestock, milk and eggs will be developed so as to cover the period after June 1948, when the existing guarantees would otherwise cease to operate. These branches of food production entail advance breeding and other commitments for the farmer, and, in order to give the necessary continuous assurance of reasonable stability of prices, the Government propose to institute a new system of overlapping four-year periods with biennial reviews."

The Government's control of prices will enable it, in part, to determine what is actually produced. But while the extreme food shortage lasts

"compulsory directions to grow sugar beet and potatoes must be served, and supervision exercised where necessary over the laying down of grass, so that this process keeps in step with the anticipated increase in livestock, with the requirements of home-grown feeding stuffs and with the continued need for a large tillage area. As the world shortage of food passes, the Government intend to leave farmers normally to grow the crops which their experience, supplemented by guidance from the Advisory Services, indicates are most suited to their own land. They intend, however, to seek permanent powers to serve compulsory directions on any farmer, whenever necessary in the national interest."

The War Agricultural Executive Committees are to be retained in modified form as the agents for raising agricultural efficiency.

"In England and Wales county committees similar to the County War Agricultural Executive Committees will be constituted on a permanent basis. Their primary duty will be to promote efficiency, working for this purpose in close association with the National Advisory Service which it is intended to establish in England and Wales on 1st October, 1946."

This is a vitally important step; with these Committees it should be possible to work out and apply the plan for the agricultural industry in a thoroughly democratic manner.

Two Acts for which the Ministry of Agriculture was responsible were the Hill Farming Act and the Artificial Insemination Act. The first gave the Government power to make grants of up to £5,000,000 towards the cost of improvement schemes for hill

farming land submitted within five years; sheep farming will, in consequence of this and of the continued subsidies, receive substantial assistance from the State. The second Act empowered the Government to grant sums for research and for financial assistance to the Artificial Insemination Centres which can help to bring about a rapid rise in milk yields.

The Labour Party, said *Let Us Face the Future*, "believes in land nationalisation and will work towards it". But land nationalisation is bound to take a long time to complete, and the Labour Party proposed that, in the first place, "If a landlord cannot or will not provide proper facilities for his tenant farmers, the State should take over his land at a fair valuation". Mr. Williams followed this up by declaring that:

"In order to deal effectively with the minority of farmers and landowners who fail in the responsibilities attaching to the occupation and ownership of land, the Government propose to seek powers in permanent legislation to exercise certain necessary measures of control. Such farmers and landowners will be subject to a period of supervision during which compulsory directions may be served, and in the last resort may be dispossessed if, after a reasonable period, it becomes evident that they are unable or unwilling to improve. There will, however, be a right to make representations to an independent tribunal before a tenancy is terminated by the Minister, or an owner occupier or landowner dispossessed. . . . Powers will be sought to enable the Agricultural Ministers to acquire land by voluntary negotiation, or compulsorily in cases of dispossession or where public ownership is the only means of securing the full productive use of the land. The Government propose to set up a commission for the purpose of managing and developing for agricultural use land acquired under these powers in England and Wales."

The Ministry of Agriculture is also responsible for fishing and forestry. In the case of fishing, the Inshore Fishing Industry Act of 1945 provides for grants of up to £500,000 and loans of up to £800,000 for the purchase and improvement of boats and equipment. Similar grants are also being made under the 1944 Herring Industry Act, and the Herring Board has again taken charge of the production and export of herrings.

In the case of forestry, the Forestry Commission, whose members are appointed by the Government, is to take the leading part in the reafforestation necessary to replenish the reserves of standing timber which have been so drastically

diminished during the war. The Forestry Fund is to be augmented by a grant of £20 millions during the period 1946-50, and the proceeds largely used for afforestation and replanting of 365,000 acres. But, as Mr. Williams explained in the House of Commons on November 30th, 1945, the Commission is also to co-operate with, and be supplemented by, private woodland owners. Private owners will be asked to dedicate their woodlands by undertaking to manage them in an efficient manner, and in return will receive State financial assistance. Woods which are not properly managed will be taken over by the Commission.

By such means as these the Government will work in partnership with private enterprise in forestry and agriculture and in every industry in the country.

## CHAPTER VI

### SOCIAL SERVICES

EVER SINCE it was founded the Labour Party has consistently campaigned for extension of the social services. This was not because in some magic way social services were naturally considered a good thing, but because they were the means whereby some of the Party's chief social aims could be achieved. The Party wanted to abolish insecurity; then, wherever possible, those who suffered loss of income from causes beyond their own control must be liberally assisted as a matter of right. Those who were ill or liable to be ill should receive the best possible care; then medical services must be improved. All children should be given a fair start in life; then educational provision must be enlarged. Thus expansion of the social services was, and is, regarded as a key to the advancement of the under-privileged and, as such, has become a central feature of every Labour Party programme.

At last the opportunity has come to fulfil these aspirations. This first term of office of a majority Labour Government will see the greatest extension of social services, in a comparable time, in the history of Britain or any other country. It is true that the Liberal Party had with the backing of the Labour Party made great strides in the decade before World War I. It is true, too, that even Tories, who were won over to more generous views in the late war, can share the credit for planning the changes which the Labour Government is now responsible for implementing. But the members of the Labour Party, and many others besides, were suspicious of the sudden conversion of those whose treatment of the social services had been so mean in the inter-war years, when they had the unchallenged power to carry out whatever improvements they pleased. Socialists remembered what happened to the high hopes aroused by the promises of Labour's opponents given under the pressure of war in 1914-18, and were unwilling to trust those who had failed before. Fortunately the issue was not put to a test. The Labour Party, not the Conservative, was elected, and the necessary changes are being truly made. Within a year of the General Election far-reaching measures for reforming the income-maintenance and health services had been introduced and pro-

gress was being made with educational reconstruction. The following chapter gives a short account of what is being proposed and done.

### SOCIAL SECURITY

Inequality of income may take one of two obnoxious forms—which might be called the vertical and the horizontal types. Firstly, the great majority of people have had incomes of a few pounds a week while a few have had hundreds or thousands a week; this has already been discussed. Secondly, some people in each income group have, at various times and for various periods, had their incomes depressed below normal by one of the common misfortunes of life. Only the person with safe unearned income has been immune from this second disturbance to his security, since his income flows in like the Mississippi, whatever his own age or condition. All others have been vulnerable. The man with £50 a week might have his income affected as adversely by unemployment or sickness or old age as the man with £3 a week. But while the one would probably have savings or an employer's pension to fall back on, the other might have been finding it such a struggle to make both ends meet on his earnings that he could not afford to build up reserves to tide him over an emergency, and when the emergency came would have no defences even against starvation unless helped by someone else.

There are several distinguishable causes of this kind of income loss. Unemployment and sickness, or industrial injury involving absence from work, all of which bring an immediate loss of earnings for hourly or weekly paid employees, may affect any workers of any age at any time. In addition, there is the life-cycle of ups and downs. When child labour was common even young children were no economic liability to their parents; they earned their keep from the tenderest of ages. But with the prohibition of child labour and the institution of compulsory schooling, children became an economic liability, for they had to be fed and clothed although they did not earn. The father's or mother's earnings did not vary with the number of children, so that the more children there were in a family the lower the income per head. The breadwinner's wage, say of £3 per week, might have been adequate while he was single, but when he married and his wife ceased to work the income fell to £1 10s. per head, when the first child was born to £1 per head, with the second child to 15s. per head, with the third to 12s., and so on. The consequence was that, as every pre-war social survey showed, large families were the chief sufferers from want, and that a terribly high proportion of the

nation's children were living below the poverty line; in a relatively prosperous city like York in 1935 half the working-class children came from families below subsistence level. After leaving school and setting to work the young person gradually became better off, until he or she reached a peak of comparative prosperity in the twenties. Marriage and children again reduced income per head until such time as the children began in their turn to leave school and earn wages to contribute to the household expenses, when the curve of relative affluence began to rise, reaching a second peak at the age of fifty or so. There was usually a final steep decline as involuntary retirement brought dependence on a miserable old-age pension. To be born and to die in poverty was the common fate of the working class.

Private saving against the rainy day has never been adequate to meet all these, for many people, inescapable eventualities. The need for some communal supplementary method of transferring income from the employed to the unemployed, from the healthy to the sick, from working adults to children and the old has long been clear. So private saving has been supplemented by neighbourly help, by charity and, increasingly, as the essentially socialist principle that Society should accept responsibility for the victims of social maladjustment and misfortune has become accepted, by the social organisation of thrift. In Britain a widespread organisation has been built up for this purpose. There has been some pooling of risks for the majority of workers through compulsory Unemployment and Health Insurance schemes, whereby workers, employers and the Government contributed to common funds which could be drawn upon as a matter of right at scheduled rates and for scheduled periods by insured persons who were thrown out of their jobs or were too ill to attend work. There have been contributory and non-contributory pensions for old people retired from work. Payments have been made by the Assistance Board and local authorities to those whose insurance benefits have been exhausted or who have been in need for other reasons. The framework was thus in existence when the Labour Government took office.

But advanced as this organisation was, when compared with that possessed by some other countries, it had serious faults.\* Unemployment insurance excluded non-manual workers earning more than £8 a week, as well as self-employed persons; health insurance excluded all children and most housewives. Parenthood was not assisted; not only was this bad for the children (and maybe for the birth rate, which was declining steadily until the

\* See *Britain's Way to Social Security*, François Lafitte. Pilot Press.

war), but it meant that rates of benefit or assistance had to be far too low. Benefits had to, and did, include an allowance for each child if they were to pretend to adequacy, but unless the rates were very low total benefits might be higher than the wage received by a man with a number of children; since it was thought that a man would in these circumstances refuse to work, it was concluded that rates had to be fixed low enough to keep total benefits below normal wages. The only way out of this dilemma—a way not followed—was to pay children's allowances to all parents, whether in or out of work.

Then there was only the most meagre grant towards insured parents' special expenses at the birth of a child. There was no grant at all towards special expenses at death. This was very serious; it gave the insurance companies the chance, which they seized, of using an army of about 100,000 door-to-door industrial assurance agents to persuade mainly working-class people to spend enormous sums (£74 millions in 1939) on burial and other life policies, a very high proportion of which lapsed because the premiums could not be kept up. Then the duration of benefits was too short; full sick pay of 18s., for instance, lasted only for six months, as though by that period the invalid must, according to fate's time-table, be either well or dead. Administration was inefficient; there were too many public authorities, and the insurance companies managing approved societies enrolling insured persons under the National Health Insurance schemes used their *entrée* to workers' homes to sell and oversell other forms of insurance. The Assistance Board was not able to attend to its proper job of dealing with exceptional cases because so many people—mainly old-age pensioners—were not, although they could have been, sufficiently covered by insurance, and had therefore to be provided with supplementary benefits.

### *Beveridge Report*

This was very broadly the situation which confronted the Beveridge Committee appointed by Mr. Arthur Greenwood, Labour's Lord Privy Seal in the Coalition Government. Sir William Beveridge, in his famous report published in December 1942, stated that to cover every contingency causing social distress there should be a comprehensive system of social insurance providing a basic minimum income for subsistence. The Report, worked out in great detail, won the immediate support of all sections of the community. Almost the only dissentient cries were from members of the Conservative Party. Its President, the

Marquess of Salisbury, wrote in *Post-War Conservative Policy* just before the Report appeared that :

“The affluence of the rich is necessary for the amelioration of the condition of the poor. . . . It is the want of security that hits the workers harder than anything else. Conservatives will have the greatest sympathy with them. Insecurity is unfortunately an essential condition of human life.”

Its Chairman, Major Dugdale, while giving the Report a lukewarm welcome, feared that higher insurance contributions would affect “our ability to compete in export markets”.\* The Labour Party, on the other hand, was unanimously in favour of the Report, which in many respects embodied the principles that the Party had been fighting for throughout its existence; ever since that day fifty-one years ago when Keir Hardie, the founder of the Labour Party, rose in the House of Commons to demand that the State should accept the principle of work or maintenance. The Government has now incorporated these main principles in legislation. The chief measure is the National Insurance Act, which is supplemented by the National Insurance (Industrial Injuries) Act and the Family Allowances Act, 1945.

### NATIONAL INSURANCE ACT

This Act consolidates the existing sickness, unemployment and health insurance schemes and places their administration under the one Ministry of National Insurance, which, with its own local offices, will cut out the overlapping and waste of the present multiplicity of authorities and approved societies. “I think”, said James Griffiths, Minister of National Insurance, when introducing the Bill, “it is much more sensible that these closely linked schemes should be under the control of a single Minister responsible to Parliament.”

Universality is the keystone of the scheme. Clause I of the Act lays down that “every person who on or after the appointed day, being over school leaving age and under pensionable age . . . shall become insured under this Act and thereafter continue throughout his life to be so insured”. Each of these will pay contributions (*e.g.*, for male employed persons 4s. 7d. a week, for male

\* When the Old Age Pensions Bill of 1908, giving a pension of 5s. for people over 70 and costing £2½ millions in the first year, was before the House of Lords, one Tory Peer thought that “a scheme so prodigal of expenditure might be dealing a mortal blow at the Empire”, and another that pensions of 5s. “would weaken the moral fibre of the nation . . . and diminish the self-respect of our people”.



self-employed persons 6s. 2d., and for male non-employed persons 4s. 8d.), which, together with contributions from employers and the Exchequer, will be paid into the National Insurance Fund. Everyone will be insured either as (a) an employed person, (b) a self-employed person or (c) a non-employed person.

For most needs there will be a standard benefit, much above all present benefits, and above those suggested by Beveridge and the Coalition Government, of 26s. for a single person and 42s. for a couple living together, with 7s. 6d. for the first child and 16s. for an adult dependant. In future persons will not get one rate when they are unemployed, another when sick, another when they have retired; since people's needs for income-maintenance are usually the same, whatever the circumstances which have deprived them of their normal earnings, the basic minimum will be the same for all.

Why these particular rates? Beveridge estimated the minimum cost of essential requirements in 1938 and, after adding 25% for the war-time increase in the cost of living, concluded that 24s. for the single person and 40s. for a couple were reasonable subsistence minima. In fact there has been a further rise in the cost of living of necessities to a level of about 30% above 1938; an appropriate addition has therefore been made to the Beveridge rates. The Government does not intend that rates should be rigidly pegged to the cost of subsistence in the future. One of the chief reasons is that no one rate can satisfactorily meet the requirements of all individuals, mainly because rents payable by different people and in different parts of the country differ so widely; and thus what is subsistence for one person will not be for another. But the Act obliges the Minister to review the rates every five years and to report to Parliament.

The detailed proposals for benefits and conditions have been set out in a Schedule to the Act and in a White Paper (Summary of Main Provisions of the National Insurance Scheme, Cmd. 6729). It is, for instance, laid down that the above benefits will be given to sick persons as long as incapacity lasts without any limit of time as long as contributions have been previously paid for at least three years. Unemployment benefit will be exhausted after 180 days, but there should only be a very few people out of work for longer than this unless there is mass unemployment, in which event the insurance basis of the scheme would in any case break down and other provisions have to be made.

There will be a maternity grant of £4 paid on confinement; and, in addition, a maternity allowance of 36s. a week for thirteen weeks for a woman who is normally gainfully occupied and an

attendance allowance of £1 a week for four weeks for other women. A widow will qualify for a widow's allowance of 36s. a week for thirteen weeks to tide her over the first weeks of widowhood, and thereafter 33s. 3d. weekly if, and so long as, she has a child of school age. If she is over forty when the child ceases to be of school age, or is over fifty when her husband died, had been married ten years and has no dependent children, she will receive a widow's pension of 26s. a week. There will be a guardian's allowance of 12s. a week for orphans. Pensions of 26s. a week will be paid to insured persons on retirement, together with 16s. for the wife. As an encouragement to people to remain at work beyond pension age, the pension will be increased by 2s. a week for every year up to five that a person postpones retirement. There will be a death grant to cover burial and other expenses of £20 for an adult and lower amounts for children. The Assistance Board will continue to make supplementary payments to all persons whose needs are not satisfied by the ordinary insurance benefits. Thus the scheme is in its main essentials quite simple; but it will effect a most far-reaching improvement in the feeling of security, and the standard of life, of many millions of British citizens.

### *Industrial Injuries*

Beveridge proposed that industrial injuries, while being brought within the scope of social insurance, should qualify for a higher rate of benefit than ordinary sickness. He thought that the needs of a man away from work because of injuries arising "out of and in the course of employment" were not necessarily any different from the needs of a man who suffered a road accident or contracted a disease. But he thought that industrial injuries should be treated separately because the Workmen's Compensation Acts had accustomed people to the idea, because "a man disabled during the course of his employment has been disabled while working under orders"; and because men should not be discouraged from entering specially dangerous industries. The Coalition Government agreed with this view and prepared a Bill on the matter which was re-introduced with various improvements as the National Insurance (Industrial Injuries) Bill by Jim Griffiths, Labour's Minister of National Insurance.

The Act provides that an industrial injury benefit of 45s. (with the same benefits for dependants as under the National Insurance Act) shall be paid, up to a limit of six months, to people incapacitated by injury or prescribed industrial disease. After that period, whenever the man is suffering from disablement likely to be permanent or substantial, he will be assessed for industrial dis-

ablement pension, awarded in proportion to the degree of his disablement and irrespective of his previous earnings. If a man is rendered virtually unemployable by his injury—*i.e.*, unable to earn more than £52 a year—and is likely to remain so, he can ask for an additional allowance of £1 a week. Normally, however, he will be able to earn something, but his earnings will not reduce his disablement pension. Widows will receive pensions of 30s. or 20s. according to circumstances. Grants are to be made out of the Industrial Injuries Fund, made up, like the National Insurance Fund, of contributions from employees, employers and the State, for research into the causes and prevention of industrial accident and disease and in order to ensure that injured persons have the full facilities for training and sheltered employment provided primarily under the Disabled Persons (Employment) Act of 1944.

#### *Family Allowances*

The third great measure is the institution of family allowances to be paid whether the parents are in or out of work, healthy or sick, old or young. The Family Allowances Act, 1945, passed before the General Election, provided for the payment of 5s. in respect of each child other than the eldest; the first child is excluded (except where the parent is drawing insurance benefit, when 7s. 6d. is allowed for the first child) because, in Beveridge's words, "very few men's wages are insufficient to cover at least two adults and one child". Payments will continue from the date of birth until the upper limit of the compulsory school age is reached, or until the age of sixteen if the child is full time at school or is an apprentice. All payments will be made through the Post Office to the mother, unless the father is not living with his wife and is maintaining the children, in which case he will receive the payment. One of the first decisions of the Labour Government was to commence payment of family allowances from August 1946. Since that time 2,300,000 mothers have been paid over £1 million a week.

It has never been the intention that the community should relieve parents of all financial responsibility for their children. But it has been recognised that 5s. a week is not enough, and that cash allowances would have to be supplemented by allowances in kind; the advantage of allowances in kind is that they can be guaranteed to benefit the children in whose interest they are given, whereas a few parents may not use the cash allowances for the direct advantage of their children. These allowances in kind will take various forms. During pregnancy and for one year after childbirth every mother, and up to five years of age every child, will continue, as in

war-time, to get one pint of milk a day at the reduced rate of 1½d., and below a certain income level such milk is free. This arrangement has already been so successful that milk consumption has risen greatly—so much so that continued rationing of ordinary non-priority consumers will be necessary for some considerable time; here is a case where even the most crusted Tory would hardly be so bold as to object to the enforcement of priorities.

Under the National Vitamin scheme mothers will also continue to be entitled to low-price or free orange-juice, cod-liver oil and Vitamin A and D tablets; the main aim now is to raise the proportion of mothers who take up these food supplements. Children of school age will receive a third of a pint of milk per day. Previously there was a small charge for this, but the Government has decided to make school milk free in all grant-aided primary and secondary schools from the date of the introduction of cash family allowances in August. The Government has also decided to make school dinners free of charge as soon as sufficient canteens and staff can be made available, and Local Education Authorities are being urged and financially assisted to press on with the provision of canteen facilities as fast as they possibly can. These various schemes, which have done so much to improve the nutrition and health of children in war-time, should eventually have a marvellous effect on the national health.

#### NATIONAL HEALTH SERVICE

The Labour Party has recognised, in every report it has ever issued, that the best remedy for ill-health is to prevent it, and that the only proper health policy is at the same time a social and political policy for the removal of all those environmental conditions—malnutrition, substandard housing, primitive sanitation, urban congestion, defective education, unemployment—which have been responsible for avoidable ill-health. The attitude has always been, as stated in the Party's *National Service of Health* (1943), that "poverty is still the greatest single cause of ill-health", and Labour's plans for conquering poverty are in part an attack on the causes of illness. Yet whatever is done by way of a positive health policy (at least in our present state of knowledge), and certainly in the short run, while the necessary social changes are taking place, there will be a need for a first-class curative medical service as well. But the medical services of Britain have had serious defects, which have robbed millions of the health that they might have enjoyed. It is to remedy these defects that the Labour Government introduced in March 1946 a Bill designed to establish a National Health Service.

The first defect is that financial barriers have at so many points been thrown up (or not pulled down) between the would-be or actual patient and the medical care he or she needs. The National Health Insurance scheme, open to contributors from amongst all employed persons except non-manual workers with incomes more than £420 a year, did, it is true, entitle them to medical care from the doctor on whose "panel" they were entered. For those so qualifying, payment was not made at the time of treatment—a vital principle, because the sick person may be most in need of care at the time when he is also most in need of money. For most of the nation's workers there had thus been at least partial acceptance of the socialist axiom that services should be provided according to need, not according to income. But neither the wives and children and other dependants of the insured persons nor self-employed persons were, as pointed out above, entitled to treatment. The result was that roughly half the population was without any access to general medical care unless it was paid for cash down, and many therefore went without any medical care at all unless at the point of death. Local authorities did provide important free medical facilities—*e.g.*, for T.B., V.D. and immunisation—free public hospitals were available to anyone and voluntary hospitals demanded donations only in proportion to the means of the patient. But it was still true to say with PEP (Planning No. 222) that:

"Means and income tests, charity at one extreme and high fees at the other form a criss-cross pattern of financial obstacles. The dividing line between charity and payment is often uncertain, and many people who resent the former and cannot afford the latter tend to avoid the dilemma by remaining without the medical care they need."

Secondly, the geographical distribution of doctors and hospitals was faulty. The poorest areas, where there were on the whole the most sick people, were the least able to afford medical facilities and were the least well served. In well-off Hastings, for example, there was before the war one general practitioner for every 1,178 people, but in more needy South Shields there was one for every 4,105. In Wakefield there were five times as many, and in West Bromwich six times as many people per doctor as in Hampstead. Likewise with hospitals, there are great areas of the country without any but a few small ill-equipped hospitals and institutions.

Thirdly, the quality of the medical services was far from satisfactory. There were too few doctors, so that those practising

were usually overworked and relatively short-lived.\* They commonly had to borrow large sums of money with which to buy practices, and were consequently laden with debt. They were seldom able to afford refresher courses. They were faced with the horrible dilemma of taking longer to examine and care for each panel-patient, with the result that they had less money, or making more money by tending as many patients as possible, with the result that their work was skimped. Their tools were inadequate: their surgeries were often converted living-rooms, their medical equipment primitive, and their clerical assistance negligible. Most doctors worked in isolation from each other. The same with hospitals: up-to-date equipment was beyond the resources of most small hospitals. And there was hardly any co-operation between local authority hospitals and the voluntary hospitals whose sources of revenue from charity were rapidly drying up until the official grants under the war-time Emergency Medical Service saved the day.

### *Labour's Bill*

The Bill introduced by Mr. Aneurin Bevan, Labour's Minister of Health, was framed to remedy these three outstanding defects and provide a free first-class service for all Britain's people. It had its origin in the White Paper on *A National Health Service* published by the Coalition Government in 1944. All the signs were that some of the central principles of this White Paper, widely welcomed in the Labour Party and beyond, were being abandoned by the Tory Minister of Health, Mr. Willink, even before the election, and many progressive doctors had given up hope of seeing the necessary changes brought about if a Tory Government had been returned. As it is, the National Health Service Act that was finally passed into law in November 1946 is in many respects an important improvement on the original White Paper.

The first principle is that the new National Health Service, unlike the partial National Health Insurance of the past, will be open to all. It will also be free for all at the time of treatment, being paid for as a total by the Exchequer, out of social insurance contributions and from local rates. Children, wives and other dependants and self-employed persons will be as eligible as wage-earners. And there will be no income limit. The British Medical Association, true to form, demanded that the richer people should be excluded from the Service, on the grounds that they can

\* In 1931 the mortality of doctors, digestive and heart diseases being the chief cause, was (between ages of 20 and 65) 54% above that of Anglican clergymen or higher civil and local government servants and 20% above bricklayers. ---

afford to pay more. But if they were excluded the division into two classes of fee-paying and non-fee-paying patients, and the ensuing two standards of medical practice, would be continued—doctors torn between the call of their pocket-books and the needs of their patients—and the suspicion perpetuated that one class was getting better treatment than another. Everyone is therefore included in the one scheme, and the aim is that everyone should use the one Service.

But it is recognised that until the value of the new Service is proved in practice it would be unwise, if not impossible, to insist that everyone should be confined to it. Doctors have become accustomed to behave as independent tradesmen treating people for fees and, on the other side, some patients have become accustomed to paying for the treatment they receive; prohibition of private practice would in all probability merely lead to a black market. It would be wrong to compel disinclined doctors to enter the public service or disinclined patients to attend a doctor in the public service. Doctors will therefore be able to practise privately or to enter the public service as they choose, and those doctors who do enter the public service will also be allowed to treat their own private patients in their own homes and even in private hospital rooms. But the object is to bring about and maintain such high standards in the public service that no one, however wealthy, will normally want to go to a private doctor. Since the public service will have every advantage of organisation and specialised equipment, it should not be too long before the public service is universally used. There will, of course, be specialists with rare skill able to command high fees, but as medical teaching and the methods of choosing entrants to the profession improve, it should be possible to raise the general standard of skill and to make the services even of the most skilled available on test of need rather than income.

As the first step towards achieving a fairer balance of doctors between different parts of the country, certain areas will be scheduled as over-doctored. A new body, called the Medical Practices Committee, is to be empowered to prevent new doctors, in public but not in private practice, from starting up in these over-doctored areas, although doctors will be free to choose which of the many thousands of other areas they are to begin work in. Direction—if this can be called direction—will only be negative. In addition, higher rates of remuneration will be given to doctors prepared to practise in the under-doctored areas.

The main and revolutionary instrument for raising the quality of the service is to be the Health Centre. Several doctors will work there; each will be a member of a group, pooling his experience

with all the other doctors, instead of a medical competitor, as he usually is at present, with the other doctors in the neighbourhood. Patients will still choose their own doctor as they do now, but the doctors will be able to share night and week-end duties, and have a rota for holidays and refresher courses. Thus co-operation will, through the Health Centre, eventually replace competition in medical practice as elsewhere. As described in the White Paper, the Centre would "provide for individual consulting-rooms, for reception- and waiting-rooms, for simple laboratory work, for nursing and secretarial staff, telephone services and other accessories, as well as—in varying degree, according to circumstances—recovery and rest rooms, dark rooms, facilities for minor surgery and other ancillaries". Some centres will be small, others will be large enough to accommodate dental clinics and maternity and child welfare services. Clerical assistance will relieve the doctors of their own routine paper-work. Other health workers will be based on the Centre and co-operate in the medical team. Together they will be able to use the Centre as a base for health education.

Doctors in the public service, normally housed in a Health Centre as soon as suitable premises can be found or built, will be paid partly by salary (irrespective of the number of patients on their books) and partly by capitation fees (according to the number of their registered patients). The Labour Party has in the past been in favour of payment by salary rather than by capitation fee (as under the present N.H.I. scheme), on the grounds that capitation fees encourage doctors to emphasise quantity rather than quality. But the doctors, who are not the least conservative of men, and upon whose co-operation the success of the scheme does depend, would be most unwilling to accept such a sharp break with traditional custom; the proposal is a compromise which can be changed if necessary, but it should work quite successfully. Doctors in a Health Centre are to be encouraged to pool not only their experience, but also their salaries and capitation fees, and where this happens it will be possible to see what benefits result when the last element of medical competition has been removed. But there is to be no compromise about the sale and purchase of public practices, which is to be forbidden. Practitioners who join the new service will, however, be compensated for their loss of expectation, as will doctors who remain in private practice until they retire without selling their practice in the meantime.

The administration of the general practitioner service will, inevitably, be somewhat complicated. Major health authorities—counties and county borough councils—are to be responsible for providing the premises and equipment for the Health Centres, as



for maternity and child welfare, midwifery and health visitor services, ambulances, home helps and other essential health services. But they are not to employ the doctors: apparently there is nothing doctors would dislike more than to be controlled by local government officials and councillors. So doctors are to be employed instead by Local Executive Councils with the same areas as the major health authorities but consisting of members, appointed by the Minister of Health, nominated half by the local professional practitioners and half by the health authorities and the Minister.

The Health Centre principle of grouping should also apply to hospitals. Consultants and special equipment for special diseases obviously cannot be available in every hospital everywhere in the country; but they can be available over a number of hospitals working for some purposes as a unit. According to the White Paper it will be necessary "to settle where, how and by what hospitals each branch of hospital treatment can best be secured" and "to produce a balanced scheme" making the area "as self-sufficient as possible in hospital and consultant services. . . . The plan must ensure that the various special treatments are concentrated in centres competent and convenient to provide them and not dispersed in uneconomic and overlapping units . . . and that the skill of the consultant staffs of the various hospitals taking part can be used to the maximum advantage of the area as a whole."

The authors of the White Paper thought that such a planned hospital service over an area could be provided while some of the existing hospitals remained voluntary and others public, but the Labour Government has decided that the voluntary hospitals will also have to become public if co-operation is to become a reality; the bulk of their funds would in any case be public. To achieve the above purposes and to administer all the hospitals in each of the eleven regions into which England and Wales will eventually be divided, Regional Hospital Boards are to be set up with members appointed by the Minister of Health. The Boards, in their turn, will appoint local Hospital Management Committees for each large hospital or group of hospitals. The teaching hospitals, which will have a pivotal place in the Regions, will retain their independent status; each will be run by a Board of Governors consisting of members nominated by the University to which the hospital is attached, the Regional Board and the senior staff of the hospital itself, as well as members appointed after consultation with the major local authorities and other organisations, such as the previous governing bodies.

## EDUCATION

Of all the social services, education is far and away the most important. "The best governed State", said Robert Owen, the pioneer of modern socialism, "will be that which shall possess the best national system of education." On it depends the happiness of many millions of children, and on its quality will largely depend the health of Britain's future society. Inequality of educational opportunity has in the past been at the root of social injustice, and equality here can banish the deadly division of society into hostile classes. Full educational opportunity can give all children and adults the chance to develop their own potentialities to the utmost, not as regimented creatures of the State, but, in the words of *Let Us Face the Future*, as "individual citizens capable of thinking for themselves". Even on the purely economic plane, expenditure on education can be a most repaying investment; every pound spent may well have a greater yield in terms of higher productivity than if spent on capital equipment. Education can also widen the bottlenecks of skill which are at present one cause of income inequality. These are the reasons why the Labour Party both nationally and locally has always placed great emphasis on the need for radical educational reform.

Tory Governments neglected education in the most disgraceful fashion and allowed Britain, in this respect as in others, to lag behind other industrialised countries. Apparently, the Tory leaders, themselves expensively educated at exclusive public schools, cared little for the quality of the schools in which the majority of the country's children got their start in life. In pre-war years most children left school at the age of fourteen. The elementary schools which they attended were often housed in dreary, dark, ill-equipped, scandalously out-of-date, tenement-like buildings. In these schools classes were allowed to contain as many as fifty children, and over 2,000 classes were larger than this; the harassed, under-paid teachers were therefore quite unable to give individual attention to any but a minute few of the children under their nominal care. The schools provided by churches were often of even lower standard than those provided out of public funds.

The first step towards the improvement of the nation's schools was taken in the Education Act of 1944, the only major Act of reform which was actually passed by the war-time Coalition Government; all credit for this is due to Mr. R. A. Butler, the Tory President of the Board of Education, and to his Parliamentary Secretary, Mr. Chuter Ede, who is now Labour's Home

Secretary. Promising as this Act was, and is, educational reformers refused to be convinced until they could see concrete action; they remembered the fate of the Fisher Act of 1918, which also held out a glowing prospect of substantial change but was promptly pigeon-holed by the Tories and Liberals who came back to power when the war had been won. Fortunately this time a Labour Government was elected, which has been vigorously proceeding to make the 1944 Act work. The Act in itself only reforms the legal structure, and it remains to carry out all the many necessary changes by "bridging the gap between Act and fact".

### *Framework of the New Schools*

Under the Act education is to be organised in the three stages of primary, secondary and "further". Primary education, covering the age-range from two to eleven, is itself divided into the three main types of nursery, infant and junior. All local education authorities (the Counties and County Borough Councils, who will be responsible for the administration of all stages of education) are now under a duty to provide small local nursery schools or nursery classes in infant schools for children under five, even though education does not become compulsory until that age. It is now recognised that nearly all children, however satisfactory their home life, can benefit from nursery education. They all need companionship with others of the same age, the best possible medical care and chances of social play; but priority will be given to those districts where many mothers are going out to work or where urban congestion deprives children of fresh air and space for play. For those children who do not go to nursery schools or classes, the infant school will be the first they will know.

"Like the nursery, the infant school gives special attention to physical care and training in good habits, and, again like the nursery school, it must provide opportunities for the free play which is the very breath of life to little children. It must also give fuller opportunities for the children to find, by their own experiments, solutions to the numerous problems which arise from their direct acquaintance with objects and the relations of these to one another." \*

Next comes the junior school.

"The aim of the junior school will be to make the fullest use of the lively interest of children at this stage in their own personal

\* *The Nation's Schools : Their Plan and Purpose*. Ministry of Education, Pamphlet No. 1.

achievements and their active curiosity about the world around them; a curiosity and interest that can stimulate them to master, among other things, the elementary difficulties of reading, writing and arithmetic as they are required for dealing with simple everyday matters that concern them."

The curriculum will certainly be far more flexible and informal than it has been in the past, since it will no longer be dominated by the "special place" examination for entrance to secondary schools; these will in future be open to everyone.

Between the ages of eleven and twelve, children will go on at the secondary stage to one of the three types of secondary school—grammar, technical and modern—according to their abilities. But it will inevitably be in some cases difficult to divide children at this age, even with the aid of modern selection tests, and transfer between the different schools at later ages will have to be made easy. These three types of schools will, while all providing a general education, be developed from the present "secondary" or grammar schools, the present junior technical and junior commercial schools and junior art departments, and the present elementary schools. These three will usually but not necessarily be in separate buildings.

The majority of children will go to the modern secondary schools, which will, when new buildings can be made available, be far above the present standard of senior and central schools. Many of those attending these schools will unfortunately have to work in routine or semi-routine occupations which do not give them full scope for the expression of their personalities. Consequently, the curriculum will be designed primarily to equip the children to make full and creative use of their leisure time and to look after their own homes with skill and imagination. There will for both boys and girls be training in cookery and in crafts of all kinds. Local projects will be planned to give children the opportunity of studying the geography, history and social structure of their own neighbourhoods. There will be an active community life.

Grammar schools have mainly prepared children for black-coated jobs, for the professions and for the universities. But it is suggested that the proportion of children receiving this kind of general education has been excessive. The number of children in grant-aided secondary (grammar) schools rose between 1913 and 1938 from 174,000 to 470,000; yet as many as 40% of the children from these schools had failed to take the school certificate examination. And although some children had to be taken away because

their parents were too poor to afford maintenance, another reason for this high percentage of failures was probably the unsuitability of some of the children for this sort of course. Perhaps relatively too many children went to secondary schools because parents thought that the office jobs to which the training led were more secure and of a higher status than manual jobs in industry. The aim in future is, as befits a highly industrialised country like Britain, to correct this bias by placing more emphasis on technical education, at the same time as more children are enabled to complete their studies at grammar schools up to the age of seventeen or eighteen.

Technical secondary schools, eventually housed in their own well-equipped premises independent of the senior technical, commercial and art institutions with which they are associated, will be greatly developed.

“The essential features of the secondary (technical) course at the outset [says *The Nation's Schools*] will be that it caters for children of 11–16 selected on the basis of their general intelligence and special interests and aptitudes; that it is wide and liberal and gives full scope to the development of native talents, and that its activities in the later years are not only related to industrial or commercial occupations, but on the technical side are handled by teachers with practical experience of industrial or commercial life.”

“Further education” is intended, ambitiously, to continue right through the life of the person once he or she has left school. First, part-time schooling is to be made compulsory for all those who leave school before eighteen until they reach that age. These young persons are to attend a County College in their employers’ time for one day or two half-days a week for forty-four weeks in the year, or, alternatively, for eight full weeks or two full periods of four weeks. The education given to the students will not by any means be only vocational, but of a general cultural character that will, in the terms of the Act, “enable them to develop their various aptitudes and capacities and will prepare them for the responsibilities of citizenship”. Suitable colleges may be used as Youth Centres in the evenings. There are many difficult problems to be settled before these County Colleges will be running smoothly, and experimentation is most desirable. The Minister of Education will probably direct local education authorities to prepare plans for them fairly soon after the raising of the school-leaving age.

Finally every authority must, after consulting universities and educational associations, submit to the Minister a scheme for

adult education within its own area and it will be the duty of the authority to carry out the scheme once it has been approved. Universities will continue to be independent, but the Government grants made towards their expenses, through the University Grants Committee, have been increased to £9,450,000 for 1946-47, an increase of £3,800,000 over the amount for the previous year.

We are now within reach of a unified educational system which will abolish educational privilege. In all primary and secondary schools receiving aid from the rates education is in future to be free. For the time being certain grammar school obtaining grants direct from the Ministry—and known as Direct-Grant Grammar Schools—are still to be permitted to charge fees. But Miss Wilkinson has been able to bring about a complete remission of fees in these schools for pupils whose parents have not more than one child and an income of £7 10s. per week or less, with additional allowances for parents with more than one child and a graduated scale for parents with incomes above this limit. And the Public Schools still remain outside the main system. The Fleming Report proposed that they, according to one of the suggested schemes, should be invited to offer a proportion, starting with 25%, of their annual admissions to pupils from the primary schools whose fees would be covered by the local education authorities. But this expedient would certainly not abolish class distinction, and might merely create many unhappy social outcasts within the privileged citadels of the Public Schools. It would surely be preferable for the authorities to provide their own boarding schools for children who need them, as they are empowered to do under the Act. The best way of completing this grand educational unification is so to raise the quality of the truly public schools that, as with the health services, no one wants to make use of the institutions for which such high fees are demanded.

### *The Bottlenecks*

Within this framework there should be a gradual rise in the quality of education. The quantity is also to be raised; one of the first acts of Ellen Wilkinson, as the Minister of Education, was to fix the school-leaving age at fifteen as from April 1947, and there will be a further rise to sixteen as soon as possible. But both improvements depend on the supply of teachers and of buildings, and it is with the desperate shortages of both of these that Miss Wilkinson has, at a time of universal shortage, been grappling. Teachers are fundamental. Raising the school-leaving age may, for instance, require 13,000 new teachers; reducing the size of

classes to the new but certainly still inadequate standards of forty per class in primary schools will require another 20,000; the County Colleges, 20,000; nursery and other schools, 10,000; and replacement of the special war-time recruits to the profession will call for a further 25,000, although most of these will come from demobilised teachers from the Forces. To supplement the permanent training colleges, which will not be able to do much more than make good normal wastage from the profession, an Emergency Training Scheme has been started. By the end of 1946 there should be nearly fifty emergency colleges in being, with an annual out-turn of 12,000 teachers by the summer of 1948. From amongst the very large numbers of members of the Forces who applied for training, many tens of thousands of the most suitable have been selected for one year's course at these colleges; this is not a long period, but the quality of those chosen has been so high and the benefits of experience of life which the candidates have enjoyed so considerable that there is every reason for optimism. Teachers' salaries have been raised in order to raise the status of this most vital profession in our modern society. As for new building, for the first few post-war years this must largely give precedence to new housing, but after that fine new schools should begin to shoot up all over the country. In the meantime pre-fabricated temporary hutments are being supplied to meet the immediate need for accommodation when the rise in the school-leaving age comes into force.

In these various ways the Labour Government is trying to establish social security, create a really first-class health service and, above all, to provide full educational opportunity for all of the nation's children.

## PART II. BRITAIN AND THE WORLD

### CHAPTER VII

#### LABOUR AND INTERNATIONAL CO-OPERATION

IN 1834, when Robert Owen's short-lived Grand National Consolidated Trades Union—the first big Union in the world—was at the peak of its membership and influence, the working men of Nantes, in France, wrote to London proposing that an international Union be formed.

“Brothers and Friends! [they called] do not let our Union be stopped by the sea or rivers that mark the boundaries of states. Let us put into communication with one another, London, Paris, Manchester, Lyons, Liverpool, Nantes, Bordeaux, Oporto, Lisbon, Madrid, Cadiz, Barcelona, Turin and all the great centres of industry in the world.”

Since that time the members of the organised working classes of different countries have always looked across frontiers and joined hands with their comrades in other countries. They have been exploited in every country by industrial systems with the same basic character. Always there were the few who owned the means of production in the land, the factories, the mines, and transport—and the many who depended for their employment on the few. The broad working-class aim has everywhere been the same: to raise the working-class standard of life and to replace private by public ownership of industrial resources. The instruments of the working class in their fight against exploitation have been similar: always there have been Trade Unions, and usually there have been socialist parties as well.

When Ernest Bevin, who once helped to lead the Council of Action which put a stop to British intervention against the infant Soviet Republic in 1920, said at the Blackpool Labour Party Conference that “Left understands Left”, he was stating the implicit assumption of international labour.

In short, the organised labour movements of all countries have, although sometimes torn by international dissension, always



tended to think not in national but in international terms. There are groups of people, like oil-men, rubber kings and civil aviation promoters, who have never been true internationalists. There are others, like scientists and teachers, who, because of the nature of their work, have always been so. To this latter group belong the members of the labour movement: their outlook has been internationalist, and so they have condemned the terrible curse of narrow nationalism and its concomitant of war. They have also insisted on the primacy of the economic causes of international friction—causes which are accentuated by capitalism, which has, whether nationally or internationally, practised competition rather than co-operation.

This community of labour interest and idea has naturally been expressed in common international organisations. First was the "First" International—the International Working Man's Association, which Marx started at a Conference in London in 1864 (on the exact site where the Labour *Daily Herald* is now printed). Its successor was the Second International of 1889–1914, which was broken by the 1914–18 war, but re-formed under the name of the Labour and Socialist International in 1923, and lasted, like the Comintern, into World War II. Through the first three of these the Socialist Parties of many countries have worked to strengthen their movement everywhere and to frame agreed international policies. Likewise, the Trade Unions have co-operated in the International Federation of Trade Unions, and in the World Federation of Trade Unions which was formed in 1944.

### *British Labour's Approach*

The British Labour Party, like other Socialist Parties, has always stood for full international co-operation as the means of preserving peace. There have, of course, been important differences of view on policy as between different periods of time and different sections of the Party. There has been the school which has denounced all capitalist Governments, all capitalist foreign policy, and all capitalist wars, and has called upon workers everywhere to overthrow such capitalist Governments as do go to war. This school was especially powerful before World War I, when Socialist Parties had hardly managed to make their influence felt on the existing Governments. At the Stuttgart Congress of the Second International in 1907, the Copenhagen Congress of 1910 and at other Congresses, the Labour Party representatives did, for instance, support a resolution pledging the workers of all countries to do everything in their power to prevent war. And "Should war none the less break out, their

duty is to intervene to bring it promptly to an end, and with all their energies to use the political and economic crisis created by the war to rouse the masses of the people and to hasten the fall of capitalist domination". A resolution passed at the Hastings Conference of 1933, before the full menace of Hitler had become apparent, was on similar lines. It pledged the Labour Party "to take no part in war" and to consult about "what steps, including a general strike, are to be taken to organise the opposition of the organised working-class movement in the event of war or threat of war". Immediately afterwards, however, the Conference passed another resolution favouring "the creation of an International Police Force". It was clear that although the Labour Party was not prepared to support its own British Government in an unjust war, it was at all times ready for the use of force against an aggressor.

And the Independent Labour Party still took the extreme anti-war view in World War II, which it denounced as imperialist, despite the fact that if the Nazis had been victorious all the working-class and democratic organisations which had been built up over so many years of struggle would have been totally destroyed. The Communist Party held the same violent anti-war attitude until Russia was attacked, a year after Dunkirk.

Then there was a similar point of view which was more purely pacifist, and strongly opposed to all wars whether or not they were engineered by "capitalist" Governments; this point of view never gained a majority in the Party, although adopted by a few leaders such as George Lansbury. But ever since 1918 the dominant opinion in the Party has been that peace is what matters most to the peoples of the world; that the only way to preserve peace is by international co-operation between all peace-loving Governments, whether capitalist, socialist or mixed; that international co-operation must embrace common action to undermine the economic causes of war and extend to the creation of supernational machinery for the peaceful settlement of disputes; and that if an aggressor country does not submit to peaceful arbitration but attempts to gain its ends by conquest, international military force must be invoked against the aggressor. Therefore, the Labour Party always gave allegiance to the League of Nations, and in this atomic age can be relied upon to give one hundred per cent. support to the United Nations. This is the central thread running through Labour's foreign policy and the one which will be traced in this chapter, which cannot in the space deal with the attitude of the Labour Government to the many particular international issues of the past year.

### *Beginnings of the League*

During World War I the Labour Party was one of the first authoritative bodies to take up the new—to most people frighteningly new—proposal for a League of Nations. Arthur Henderson, the man who later became Labour's Foreign Secretary, the man who was also chief architect of the Party organisation, focussed opinion in the movement when he spoke at the 1917 Trade Union Congress at Blackpool, partly in comment on an earlier speech made by the fraternal delegate from the American Federation of Labour. He called strongly for a declaration of peace aims by the Labour Movement:

"We belong to the class which has given most and suffered most, and we shall not allow this matter to rest in the hands of diplomatists, secret plenipotentiaries, or politicians of the official stamp, unless they are prepared to have some regard for the common people. . . . The common people, the democracy, did nothing to create the conditions out of which the war came; but the common people have done everything to realise the ideals for which we entered the war."

The T.U.C. agreed that the objects of the war should be restated. The executives of the Party and the T.U.C. thereupon met and decided to prepare a declaration of war aims which should then be put before a special Labour Conference. This declaration, which was endorsed in December 1917, in fact embodied the main principles of the League.

"Of all the conditions of peace [it read] none is so important to the peoples of the world as that there should be henceforth on earth no more war. . . . Whoever triumphs, the people will have lost unless an international system is established which will prevent war. It would mean nothing to declare the rights of peoples to self-determination if this right were left at the mercy of new violations, and was not protected by a Super-National Authority. That authority can be no other than the League of Nations, which not only all the present belligerents, but every other independent State should be pressed to join."

That classic policy report, *Labour and the New Social Order*, which was presented to the full Labour Party Conference of June 1918, contained similar pronouncements:

"We would therefore put an end to the old entanglements and mystifications of Secret Diplomacy and the formation of Leagues against Leagues. We stand for the immediate establish-

ment, actually as a part of the Treaty of Peace with which the present war will end, of a Universal League or Society of Nations, a Supernational authority, with an International High Court to try all justiciable issues between nations; an International Legislature to enact such common laws as can be mutually agreed upon, and an International Council of Mediation to endeavour to settle without ultimate conflict even those disputes which are not justiciable."

These statements had a tremendous effect upon British and world opinion. After the first, Britain's Prime Minister, Mr. Lloyd George, went back on his previous refusal to contemplate any declaration of peace aims and made his famous Caxton Hall Speech. Soon after the second came the end of the war and, in due course, the League of Nations itself, which held its first formal meeting on January 10th, 1920, exactly a quarter of a century to a day before the opening of the first session of the General Assembly of the United Nations in London.

The aims of the Labour Party remain fundamentally the same after this second World War: they are to make the League's successor, the United Nations, an effective instrument of international co-operation. Mr. Attlee, when opening the first session of the General Assembly, spoke for British Labour when he declared that "the United Nations must become the overriding factor in foreign policy". Mr. Bevin had earlier stated in the House of Commons on November 23rd, 1945, that "it will be the purpose of His Majesty's Government to utilise the United Nations, may I say stretch it to the limit of its capacity from the security point of view, conscious all the time . . . that the world is moving so fast that a great change has taken place . . . since San Francisco". The further aim is to strengthen the United Nations Organisation until it becomes a genuine Supernational Authority and an agency of world government.

#### THE UNITED NATIONS AND THE BOMB

It is no digression to discuss at this point the significance of the atom bomb, which has made it every government's first duty to stand behind U.N.O. After Hiroshima (and after the warnings about bacteriological and other new and terrible methods of warfare) it is also necessary to be far more ambitious about U.N.O. than any pre-war Government was about the League. As Mr. Bevin said on August 16th, 1945, to the Executive Committee of the United Nations Preparatory Commission:

"We are so near to its invention at the moment that it is almost impossible to assess the effects of the atomic bomb on the organisation of security, but I suggest that in the whole security sphere a great many of our previous preconceptions . . . will have to be radically revised. Perhaps, in fact, the weapons of war will shortly become so horrible and so dangerous that they will never be able to be used, owing to the danger to everybody."

But at the same time no one can deny the need for taking U.N.O. as it is, trying through its means and otherwise to remove the suspicions which still poison international relationships, and building on it as a foundation for world government.

The atom bomb has underlined a hundred times the urgency of something that was already urgent: now there can be no security against great destruction for anybody—except maybe for a few eskimos and bushmen—short of a working world government with as sure an internal monopoly of force as the government of any country possesses at the moment. Today it is not the advocate of world government but the practical man of affairs who says, "Yes, of course, . . . something will have to be done . . . eventually", who is the lunatic.

Unless some method of defence is invented against atom bombs propelled by rocket or other means it would in future be possible for any one country to destroy another, and itself be destroyed, within a few hours of the first bomb being launched. A large and industrially powerful country will not even be secure against attack from a small and relatively weak country. Once scientists and engineers of all countries possess the "know-how" for the manufacture of atom bombs there will be nothing to prevent governments of the smallest Powers, able to obtain any of the raw material and commanding any industrial resources at all, from making and storing bombs. There is no reason to think that they will be too costly; in terms of "fire-power" atom bombs should be much more economical than old-fashioned (*i.e.*, pre-1945) weapons. The Nagasaki and Hiroshima bombs may in effect have cost £250 millions each; but this was only because six different methods of development were proceeded with simultaneously until the one final method was chosen, and in all cases the development, in this pioneering exploration, was far more roundabout than it need be in the future.

Since dispersal is likely to remain the only possible defence, the highly industrialised countries, all of which have a great part of

their populations concentrated in a limited number of urban centres, will be at a strategic disadvantage compared with the less industrialised countries, whose population is more evenly distributed over their territories. Mexico, a mainly agricultural country with few cities, will probably be in slight degree less vulnerable than the United States. A statement issued by the atomic scientists of Chicago, one of the groups which developed the bomb, declared that:

“Vulnerability to atomic bombs is greatest in industrial nations with large metropolitan centres. We are such a nation. In the not too distant future other nations might possess enough atomic bombs to be able to annihilate in a few minutes 60 per cent. of our industrial resources and destroy one-third of our entire population which is concentrated in thirty metropolitan centres.”

Britain's plight is even worse. It is the most vulnerable of all the nations of the world. Two-fifths of its population are in its seven largest conurbations, instead of one-fifth, as in the United States; most of Britain's people live in urban areas. How many bombs would be needed to destroy all these cities and towns? One bomb, of a type which will be (indeed, has, it is reported, already been) vastly “improved” upon, killed 80,000 at Hiroshima. An official British Mission which visited Japan reported that one Hiroshima-type bomb could be expected to render homeless 400,000 inhabitants of a British city, and that of these 50,000 would be killed. Thus it would not require more than a few hundred such bombs to reduce all Britain's towns to heaps of smouldering rubble.\*

In this new situation even the hope of collective security is becoming threadbare. The assumption of collective security was that any potential aggressor would be deterred by the overwhelming might of the pooled armed forces of all other States, members of the international organisation, which would unite to smash the aggressor; and if the aggressor were not deterred the disproportion of force would be so great that the war would soon be over and the damage restricted. But aggressors armed with atomic bombs, planning to get in the first blow against peace-preserving States also armed with atomic bombs, would between them do so much damage that civilised life would be destroyed along with the aggressors. Nor would an international police force be free from the same terrible handicap as long as any nation had atomic

\* Cf. Leonard Woolf, “Britain in the Atomic Age”, in the *Political Quarterly*, January–March 1946.

bombs. It is as if the policeman and the gangster within a nation were both armed with weapons so deadly, even though the policeman had more of them, that their use would harm the country as much as the most violent civil war.

The aim is therefore clear. There should be one world authority, growing out of the United Nations Atomic Energy Commission, with a complete monopoly of atomic weapons. No country should be allowed to possess any atomic bombs; the joint U.S., British and Canadian proposal for the above Commission did indeed declare for the "elimination from national armaments of atomic weapons". The world authority should have rights of inspection and the power to enforce the general prohibition. It would be foolhardy in the extreme for any nation, because its Government thought it had a temporary advantage in atomic research, to reject such international inspection.

But even this would not be enough. The above joint statement recognised that "military exploitation of atomic energy depends, in large part, upon the same weapons and processes as would be required for industrial uses". Fortunately for the world, the far-sighted Lilienthal Report of the American State Department has shown a way out. It proposes that all "dangerous" atomic activities should be placed under a new organ of U.N.O., the Atomic Development Authority. The A.D.A. would carry out the mining of uranium and would allow purely national plants using atomic energy for peaceful purposes to have only non-dangerous or "denatured" materials. All plants capable of making atomic explosives would be owned by the international authority, and an international inspectorate formed. This plan was, in its main essentials, officially put forward by Bernard Baruch, U.S. representative on the Atomic Energy Commission, in June 1946. The U.S. plan, which received the support of the British Government, was followed by a Soviet proposal that there should be a general international undertaking to desist from the manufacture, and give up the possession of atomic bombs. The crucial difference is that the Baruch plan presupposes that in this respect the veto power should be abandoned. While the Russian opposition to this proposal is understandable in view of its minority position, it is obviously impossible to gain real security against atom-bomb attacks unless sanctions against violation can be invoked even against one of the Big Four.

But as long as sovereign States exist, even though their sovereign power does not extend to atomic energy, there can be no real security. Sooner or later one sovereign Government,

smarting under some real or imagined injustice, would withdraw to prepare for war. Therefore the only certain way of preserving peace is to merge all national sovereignties into a world federation with a monopoly of all atomic energy production and with responsibility for all those other economic, social and political functions which can best be performed by a world authority. Another reason for speed is that unless there is a rapid advance to world government there is a chance of Western nationalism, now let us hope on the wane, being followed by another cycle of Eastern and Asiatic nationalism.

### LABOUR'S ATTITUDE

Mr. Bevin stated the logical conclusion in the debate on Foreign Affairs in the House of Commons on November 23rd, 1945. He said that :

“when we turn from all the things you have built up—the League of Nations or your constitution—I feel we are driven relentlessly along this road: we need a new study for the purpose of creating a world assembly elected directly from the people of the world, as a whole, to whom the Governments who form the United Nations are responsible and who, in fact, make the world law which they, the people, will then accept and be morally bound and willing to carry out. For it will be from their votes that the power will have been derived, and it will be for their direct representatives to carry it out. . . . There has never been a war yet which, if the facts had been put calmly before the ordinary folk, could not have been prevented. The fact is that they are kept separate from one another. . . . That phrase [‘international law’] presupposes conflict between nations. It should be replaced by ‘world law’, with a moral world force behind it, rather than a law built upon case made law and on agreements. It would be a world law with a world judiciary to interpret it, with a world police to enforce it, with the decision of the people with their own votes resting in their own hands, irrespective of race or creed, as the great world sovereign elected authority which would hold in its care the destinies of the people of the world.”

To create such a world authority—this is the long-term aim of Labour's foreign policy. Its nucleus is the present United Nations Organisation. Essential as it is to the peace of the world to maintain U.N.O., it has to be admitted that there are at present strict limits to its effectiveness as a Supernational Authority. One



limitation is that for U.N.O. all nations are presumed equal. But, as the Labour Party's 1944 report on "The International Post-War Settlement" said:

"all States cannot hope to have equal influence or equal power, and it is only building a theorist's house of cards to pretend they can. Switzerland cannot count for as much, in practice, as the Soviet Union, nor Bolivia as the United States."

The Great Powers would no longer be so great if all nations were armed with atom bombs, but for the time being at least their predominant power is indisputable. It would thus be fantastic to ask, let us say, Soviet Russia to submit to the decision of a body in which the Dominican Republic had a vote equal to its own. Here is one reason for the veto power residing in the Big Five on the Security Council which in effect makes each of the Big Powers a judge in its own cause. This difficulty would, however, be overcome if there were an agreed method of weighting the votes of each nation according to such criteria as population, national income and literacy levels, and would be eased if there were not only a "Senate"—i.e., the General Assembly, as at the moment—but also a "House of Representatives" to which the peoples of the world directly elected their own representatives.

Obviously the Big Powers, or even the small ones, are not yet ready to merge their sovereignty in any such world authority. The United Nations is therefore bound to remain for some time merely international instead of supernational, and as long as it is international its constitution is almost bound to reflect the real strength of the various members, with Permanent Places and Veto Powers and the rest. As long as it is international, it has to be recognised that if any one of the Big Three refused to submit to third-party judgment there is in fact nothing that the United Nations could do about it short of a major war. Even so, there would obviously be great advantage in the removal of the veto power at the earliest possible moment. In that case if any British Government, say, ever did refuse to accept arbitration it would be branded as an aggressor and would have the whole of world opinion and some part of opinion in Britain itself against it—and the peril of those consequences would surely be a deterrent.

Meanwhile the fate of U.N.O. rests with the Union of Socialist Soviet Republics, the United States of America and the United Kingdom. If these three countries are united there will be no need for fear about the United Nations. At least these three are

nations which have nothing to gain from war and everything to gain from peace.

British Labour wants good relations with both the U.S.S.R. and the U.S.A. The Labour Party has, since the Russian Revolution in 1917, had a long-standing bond with the Soviet. It helped to organise the Hands Off Russia Movement, which was largely responsible, in the years immediately following World War I, for the withdrawal of British support from the Interventionist Armies, aided by the British, French, U.S. and Japanese Governments, which were trying to overthrow the young socialist republic. The 1924 Labour Government was the first to enter into trade relations with Russia, and one of the first acts of the Labour Government elected in 1929 was to resume full diplomatic relations with the Soviet. Throughout the latter half of the thirties the Labour Party urged an Anglo-French alliance with Russia as the only sure way of checking Hitler. During the war the Russian ally won the greatest respect from members of the Labour Movement, as from practically all Britons. The Coalition Government concluded with the U.S.S.R., to quote from the Party Report *International Post-War Settlement*, "the Anglo-Soviet Treaty of Alliance which binds our two Governments and peoples together, as partners in a common quest for Peace, Security and Economic Progress". At the Moscow Conference of December 1945 Mr. Bevin offered to extend this Treaty from twenty to fifty years and to strengthen it wherever necessary. Unfortunately, regrettable differences have arisen between the two countries—differences which have temporarily diverted attention from Labour's long-term policy described in this chapter.

This Report goes on to say that "With the U.S.A. we have, as yet, no such formal bond of partnership; but we must do our best to foster, by all practicable means, Anglo-American understanding and joint endeavour". Relations between the British and U.S. Governments have, in some ways, actually been closer since the General Election.

#### FUNCTIONAL CO-OPERATION

U.N.O. will remain largely "international" until the member countries, and in particular the Big Three, are prepared to entrust it with more power. If U.N.O. can be given big jobs to do—caring for refugees, administering relief, organising world investment and so on—and does them well, the member countries should come to trust it as a highly effective international agency

for getting things done.\* Obviously the most urgent jobs are those which help to undermine the causes of international friction, and especially the economic causes which the Labour Party has always considered the great dynamo of war; in tackling these, U.N.O. will be performing the double function of developing the habit of international co-operation and of removing causes of international friction.

There will never be a world government, bomb or no bomb, if its functions are confined to policing, any more than U.N.O. can develop if it is only the embodiment of Big Power resolve to prevent another German or Japanese aggression. This conception of government as a means of keeping law and order belongs to a *laissez-faire* age when government's chief function internally was to protect property. A world Government which did no more for the peoples of the world than maintain an international police force to strike hard at an aggressor when need arose would be rightly regarded as a negative form of government commanding little continuous support—as little as any national Government which did nothing but maintain efficient police and armed forces. To succeed, a world Government must perform certain services for the peoples of the world more effectively than their own national Governments. U.N.O., by actively promoting better living conditions for the common people in every country, can provide a really solid foundation for world government. Another way of putting this point is to say that while the Security Council may have the most important job, it can only succeed in the long run if the other U.N.O. agencies themselves work well. This particularly applies to the Economic and Social Council. Mr. Attlee was emphatic on this in his opening speech to the first session of the General Assembly in London:

“In the purposes of the United Nations [he said] we have linked with the achievement of freedom from fear the delivery of mankind from the peril of want. . . . I believe, therefore, that, important as is the work of the Security Council, no less vital is it to make the Economic and Social Council an effective international instrument.”

\* Cf. Stuart Chase in *Tomorrow's Trade*:

“What we can hope for is a series of agreements about specific things—relief, reconstruction, an international bank, wheat, cotton, oil, the drug traffic, cartels, Olympic games, an international court, copyrights, fisheries, nutrition, migratory birds, control of epidemics, airways, merchant marines—the list of useful functions is practically endless. Such agreements can help to weave the world together, help to bring our ideologies, folkways, living standards, close enough so that the world state becomes a practical possibility.”

Mr. Bevin added further emphasis in his January 17th General Assembly speech.

"Having regard [he said] to the great discoveries of this last century and a half, we have to face the fact that we have not yet found the right method of distributing these great gifts on a wide enough basis so as to serve their intended purpose of raising the standard of life universally. The social disorder arising from the war, and the failure to satisfy the physical and intellectual development of mankind may lead to still further troubles and serious conflicts. The task which thus devolves upon the Economic and Social Council is an urgent one."

All the bodies which will be associated with the Economic and Social Council—like the Food and Agriculture Organisation, U.N.R.R.A., I.L.O., the United Nations Educational, Scientific and Cultural Organisation, and the International Monetary Fund, the International Bank of Reconstruction and Development, and the proposed International Trade Organisation (which are considered in the next chapter)—will therefore receive Labour's maximum support. Mr. Bevin, speaking of these bodies at the General Assembly of the United Nations on January 17th, 1946, said that "by a natural process the functional instruments of the world state are coming into existence".

Mr. Bevin pledged Labour's backing for F.A.O. (whose Director-General, Sir John Boyd Orr, wrote the Labour Party's Food Policy) when he spoke, before the General Election, at the Blackpool Conference. He said:

"Malnutrition accounts, at least, for one of the fundamental causes of war. That is a terrible thing. It is mainly centred, not in the world of the industrial worker, because in most places, not everywhere, he has been able to organise into great groups to defend himself. I do not say it has always been successful, but it has moderated the effect of malnutrition. The real centre of malnutrition is amongst the peasantry of the world, a vast body—the ordinary person who lives by his toil on the soil. The product of his labour is the subject of speculation, financial manipulation, and is the prime cause of most of our depression and unemployment. The Hot Springs Conference, therefore, was inaugurated at least in a spirit of hope. But, if it is to be successful, it needs the drive of a powerful Labour Government in this country behind it."

The Labour Government has continued to give full support to F.A.O. At the Copenhagen Conference of September 1946, it

welcomed Sir John Boyd Orr's proposal for a World Food Board which would have power to buy up surplus foodstuffs and so keep world prices stable.

The British Labour Movement has for long been very loyal to the International Labour Organisation, which has done so much to raise international standards of life, especially in backward countries. As Mr. Bevin said in his speech to the General Assembly on January 17th, 1946:

"The British Government is anxious for the continued use and strengthening of the International Labour Office. . . . When the Economic and Social Council has made its recommendations, the next step concerns the practical application of these recommendations in fields, factory and workshop; they have to be translated into international code agreements, codes and decrees. There must be a check against the old Nationalist fight between State and State for trade at the expense of the standard of life of the worker. The I.L.O., by its methods and its power of making conventions applicable universally, can become an even more potent instrument than it has been already in creating new levels of human existence over the whole world."

The Labour Party would like to see international economic co-operation extending beyond these functional organisations. In a 1944 Report entitled *Wings for Peace, Labour's Post-War Policy for Civil Flying*, the Party urged that a World Air Authority should be created to own and operate World Airways—i.e., the main trunk air lines round the world. It was agreed there that if civil aviation continued to be the instrument of purely national policy for bolstering national prestige, military potential and trade, fierce State-aided competition in the coming air age would inevitably irritate international relations profoundly; the only solution was to take civil aviation out of nationalist politics by internationalising it. This proposal was very similar to one put forward by the Labour Governments of New Zealand and Australia prior to the Chicago Civil Aviation Conference, which, although setting up a provisional International Civil Aviation Organisation, unfortunately decided on a return to pre-war competition, tempered only by valuable but limited international co-operation on technical matters.

This brief recital of policy is designed to show that the Labour Party does stand for full international co-operation, probably going beyond what any other major Government is ready for at the present time. The main principle behind the particular proposals might be expressed in the slogan put

forward at the 1944 Philadelphia Conference of the I.L.O.: "Poverty anywhere constitutes a danger to prosperity everywhere". Poverty means discontent, and discontent means international stress. But the Labour Party recognises that international measures and organisations cannot alone eliminate poverty, discontent and friction. Labour recognises that the foreign policies of different countries are the reflection of their social structures, and that in some cases internal stresses tend to create a foreign policy which is far from internationalist. Fascist Governments, like those which exist in Spain or Argentina, cannot be relied upon to be sincere partners in international co-operation, and to get rid of them is to strengthen peace. Any Government which tolerates heavy unemployment is also a danger to world peace. Ultimately, according to the Labour Party, there can be no peace that is secure nor any stable world government based on common ideas, until the forces that make for war inside each individual country are curbed. Wherever its influence is felt, British Labour is trying to curb these forces and to ensure a lasting world peace.

## CHAPTER VIII

### BRITAIN AND WORLD TRADE

THE PRACTICE of the world's trading nations is fundamental: will they co-operate, with the aim of creating a working world economy, or will they fight, with the result that international hostility is sharpened? The Labour Party's answer is that the nations must learn to co-operate in the economic no less than in the political sphere. They must co-operate to fight world famine in these "Hungry Forties", and they must co-operate to raise living standards everywhere. Sir Stafford Cripps restated this proposition in the House of Commons' debate on the U.S. Loan Agreement.

"Most of us have in the past [he said] stressed the fact that the future peace of the world does not depend so much upon purely political considerations or co-operation as upon the elimination of financial, commercial and industrial practices and methods which have in the past proved themselves so fertile a seedbed for war. Now, as we face the future, we must make up our minds as to whether we are to attempt to deal with these economic problems as isolationists or as internationalists."

The attitude of the Labour Government is inevitably influenced by the inescapable fact that the United Kingdom, which must maintain 47 million people on an area one-third the size of Texas, must have substantial imports if its people are to survive at all. Britain depends on imports for much of its food (*e.g.*, meat from Argentine and New Zealand, bacon from Denmark, butter from New Zealand) and raw materials (*e.g.*, cotton from U.S.A., wool from Australia, bauxite from British Guiana, timber from Canada). But exports will have to be much greater than before the war merely to pay for the same amount of imports. "Increase exports" is the first commandment which at this time any British Government would have to obey.

Why? Simply because of what happened during the war: Britain has been forced to mortgage its future in order to sustain its war effort, which was, relatively to its resources, higher than any other of the United Nations.\*

\* See *Report of Combined Production and Resources Board*, published in Washington, November 1945.

In 1938 Britain (excluding re-exports) imported goods to the value of £858 millions; £338 millions of these came from the Empire and £520 millions from the rest of the world, including £112 millions from the United States. But the value of exports was only £471 millions. That left a balance of £377 millions to be paid for. Income from overseas investments, built up mostly in the nineteenth century by British people who put their money into Australian Government stocks, or Argentine railways, or the U.S. steel industry, contributed £200 millions; as Sir Stafford Cripps pointed out in the House of Commons on February 28th, 1946, this was "equivalent to the work of some 800,000 men in this country", and represented the value of all the wheat, the meat, the cotton and the wool we imported. Income from shipping sources brought £100 millions; and income from international banking and insurance £35 millions. There was a small deficit of £55 millions.

### *What Happened in War*

Then came the war. Immediately Britain had to start arming almost from scratch. It had to import more munitions and materials for its war industries. But the less these war-time imports had to be paid for by exports, the better for the war effort; workers could either produce goods for export or munitions for the Armed Forces—automobiles for export or tanks for the Army—but not both. So exports were cut down drastically, and war-time imports were instead mainly paid for out of the proceeds of compulsory sales of overseas investments. Thus the Government took over the Canadian Pacific Railway stock held by Mr. Brown of London, sold it in Canada for precious Canadian dollars, and used the dollars to pay for imports of aluminium for making Spitfire air-frames in a Birmingham factory. In the same way, the formerly British-owned American Viscose Company was sold to Americans, and the proceeds used to purchase, among other things, Cincinnati machine-tools for making Merlin engines in a Glasgow factory. One result was that more Spitfires were made, and nobody, quite rightly, bothered to count the cost. But another result was that Britain's overseas investments were steadily liquidated. By June 1945 £1,118 millions worth of investments had been sold. Never again will any profits from American Viscose or interest on liquidated C.P.R. stock help to pay for Britain's imports. The economic fat accumulated in the past was melted by the fire of war.

Lend-Lease meant that this problem of how to get imports without making exports was more or less solved as far as imports from



the United States were concerned, and Canada also made a handsome contribution to Britain of imports which were used for the common war effort. But Britain still wanted goods and services from many countries which did not grant Lend-Lease. The chief of these was India. British troops were there to fight the Japs. The food and many of the supplies they needed had to be paid for in rupees. The British Government bought the necessary rupees with pounds. But these pounds could not be spent on British goods, since British industry was busy making munitions and bombs for the R.A.F. to drop on Germany: there was nothing for the Indians to buy from Britain. The Indian-held sterling balances just accumulated, but they are all ready to be spent on British goods as soon as there are any available for export. In total, they add up to an enormous war debt owing by Britain to India, which will have to be paid back in the future. The same goes for Ceylon and many other British Colonies which did not have independent Governments, and could not therefore well be expected to make a compulsory levy towards the war. The external liabilities of Britain to these and other countries which have not supplied goods on Lend-Lease amounted to the massive total of £3,355 millions by the end of June 1945. The only way to pay off this debt is by British exports, which cannot at the same time be used to pay for current imports.

This debt cannot possibly be paid off all at once; most of it will probably be funded in the form of long-term debt. But it must be recognised that most of the sterling balances are held by economically backward countries which are in very great need of additional manufactures for their own development; the fact that these countries have been virtually forced to save during the war can be turned to good account in remedying one of the greatest causes of economic unbalance in the world. In any case, Britain will have to make a large annual payment for interest and amortisation.

The net income from overseas debts to Britain will therefore be greatly reduced. That £200 millions which used to help pay for imports in 1938 will be sharply diminished. So Britain will be forced to export currently more goods and services, and the increased exports will demand an increase in imported material, which will have to be paid for by some further increase in exports.

Then the peace-time level of imports is almost bound to be higher than in 1938, if only because of the subsequent growth in the number of British families and the need for re-equipping antiquated industries; and shipping income may not be so high for some time. And London may not be such an important banking centre as it was before the war. It is, in short, obvious that

Britain's exports will have to be very much higher than before. The Government states that as compared with 1938 a 75% increase in exports is absolutely necessary if equilibrium is to be achieved.

Naturally it will not be possible to push up exports by 75% all of a sudden. In the interests of the United Nations' war effort they were pared down to a third of the pre-war volume, and now war industries have to be converted to export production. But imports cannot be suspended until exports revive. Without immediate imports of food Britain would starve; without imported raw materials many of Britain's industries would be idle; without supplies, partly paid for in dollars, the British Occupation Forces in Germany could not be maintained. Just as in the war, and because time will be required for Britain to recover from it, imports will continue to exceed exports. The Government estimated that in 1946 this deficit would be about £750 millions, but the actual figure may not be as large as this due to the remarkable increase in exports. During 1946 exports have been gradually increasing, so that the deficit in the following years will not be so large. Yet in 1947 and 1948, tentatively forecasts the Government, the total deficit will still be around £500 millions. The country's overseas accounts will not quite balance in 1949 and 1950, but after that they will attain equilibrium. The total anticipated deficit is therefore at least £1,250 millions. This was the sum for which an American loan was requested.\*

No one, inside or outside the Labour Party, could fail to regret the necessity for this loan—finally agreed at £938 millions—which adds to the burden of British war debts to be repaid in the future; to it must be added the loan for £281 millions from Canada. As Mr. Dalton, Labour's Chancellor of the Exchequer, said in the House of Commons on December 12th, 1945:—

“This great load of debt which we are bringing out of the war is, indeed, a strange reward for all we, in this land, did and suffered for the common cause, to which all parties and sections of this community were totally devoted.”

Mr. Bevin, Foreign Secretary, followed up on December :

“I know the task of facing this loan leaves a good many people with a sense of discomfort. I do not know anybody who ever came away from a moneylender's office and calculated the repayment who ever felt comfortable. . . . But this discomfort is

\* For a general discussion of the loan see Planning, No. 244, *High Stakes at Washington*. Published by Political and Economic Planning.

added to when the catastrophe falls upon you after you have been a moneylender yourself for so long and then have to borrow."

But the loan was necessary to sustain the British standard of life. It was, moreover, realised that the U.S. Government had agreed to a generous settlement of Lend-Lease obligations. And if interest had to be paid at all, the terms were not unfavourable. The rate of interest is only 2%, and annual interest payments are to be waived if in any year after 1951 (when payments begin) Britain's balance of payments and exchange position, averaged over the previous five years, is such that we cannot pay for a volume of imports equivalent to the 1936-38 level.

### THE LOAN CONDITIONS

Misgiving in the ranks of the Labour Party was not so much about the loan itself as about the conditions attached to it. These conditions, discussed below, were that (1) the sterling area "dollar pool" should be dissolved, (2) quantitative import restrictions not used in a discriminatory way, (3) exchange restrictions removed and (4) settlement of the accumulated sterling balances achieved.

(1) There will be few tears shed over the abandonment, within one year of the Agreement, of the war-time dollar pool, whereby all dollar holdings accruing as a result of sterling-area exports to the United States or expenditure of U.S. soldiers in the sterling area were pooled and spent only on urgent war needs. The Egyptians or the Indians or the Irish or anyone else outside Britain could not be expected to feel happy about it if the proceeds of their exports to the United States were collared by the British Treasury to be used as the British Government determined, while they were compensated with sterling which they could only spend in Britain or elsewhere in the sterling area. It is highly doubtful whether many of these peoples would have been prepared to submit to this control for very much longer; they would simply have refused to hand over the dollars, which they themselves needed for purchases of equipment unobtainable in the sterling area.

(2) Nor can there be any very great opposition to the scrapping of discriminatory import restrictions, to be applied with full force after a transitional period of five years. Rigid economy in imports will be vital until 1950 or whenever equilibrium is reached in the British balance of payments, but import licensing will (at least under the terms of the Loan Agreement) still be permissible,

although it will not be possible to grant licences for Rhodesian tobacco, for example, and reject Virginian purely on the grounds that dollar reserves should be safeguarded. The Labour Party is committed to certain forms of State trading, such as bulk purchase of food imports by or under the authority of the Ministry of Food. But bulk purchasing is in no way ruled out by the Agreement. The Ministry of Food can still buy the whole of the exportable New Zealand butter produced in 1947, provided that it does so in the ordinary way of commercial business, because New Zealand butter is cheaper and better than any other that may be on offer.\*

(3) The chief concession made by Britain was that exchange controls should be scrapped within one year, instead of the five years laid down in the Bretton Woods Agreement. There was a very lively debate in Britain even about the five-year term. If exchange control were retained for five years it would have been easier for Britain to expand its exports (after the immediate post-war sellers' market had disappeared), for then Britain could have used its great bargaining power as the world's greatest market for foodstuffs and certain raw materials to persuade their suppliers to take British exports in exchange. There could have been comparatively long-term agreements with countries like Denmark for the purchase by Britain of Danish bacon, on condition that the sterling proceeds of the sales of the bacon were used to purchase British goods. It would also have been possible to conserve precious dollars by forbidding their use for all but the most urgent purposes.

The fear has been expressed that although the Loan will provide dollars, observance of the conditions will, by abolishing exchange restrictions, take away the means by which the squandering of the dollars can be prevented. In two important cases, however, exchange restrictions will still be permissible under the terms of the Bretton Woods Agreement. Britain will be able to impose controls to prevent international capital movements—*e.g.*, of "hot money"—which had such an unstabilising effect on international exchanges before the war and which were detrimental both to the British Labour Government in 1931 and the French Popular Front Government in 1937. And, secondly, exchange controls will be permissible for the purpose of discriminating against currencies declared "scarce" by the International Monetary Fund; dollars will, for instance, be declared scarce if U.S. imports are consistently less than U.S. exports and the gap is not bridged by U.S. loans.

\* Important economic agreements have, in fact, been concluded with Canada, Denmark, France, Holland, Czechoslovakia, Sweden, Norway and Greece.

(4) Sterling balances, when released, are to be convertible into any currency; in other words, the balances are not to be subject to any form of special exchange control. If exchange control had been retained, these balances would for a period have been spendable only in the sterling area. India would, for instance, have had to spend its balances mainly on British goods; with this anticipation various sterling area countries had made plans for buying British equipment; but as soon as the Loan Agreement was announced, several of these plans were held up on the expectation that United States companies might be able to offer quicker delivery.

### PERMANENT ECONOMIC COLLABORATION

But on balance there was a strong case for the Loan Agreement, and that is the view which the great majority of Labour M.P.s took when the House of Commons debated it in December 1945. The Loan was, however, only part of a comprehensive agreement between the two greatest trading nations of the world for permanent collaboration, within the framework of U.N.O., for the development of international trade. The Bretton Woods Agreement and the proposals for an International Trade Organisation are but important features of this more comprehensive agreement, whose underlying aim is the re-establishment of free, multilateral world trade.

To build prosperous multilateral trade is not going to be easy. It may be that some of the conditions that existed in the nineteenth century will have to be brought into being. In that century, free of any major war for over 100 years, the smooth functioning of international trade was largely due to the peculiar position of Britain—relatively even more important in the nineteenth-century structure of world trade than is the United States in the twentieth. Britain provided an unlimited market, comparatively undisturbed by the great fluctuations which have been brought about by unemployment in this century, for food and material produced anywhere, from the prairies of the Middle West to the veldts of South Africa. It lent abroad on a scale never since rivalled, and so made possible not only the agricultural, but also the industrial revolutions of many countries. And through the effective but hidden financial control exercised by the money and international commodity markets of the City of London and by its mysterious dictator, the Bank of England, the economic policies of all trading countries were kept in step, while the international Gold Standard ensured the stability of exchange rates. The "Pax Britannica" was probably due more to this British-

inspired economic organisation than to the supremacy of the British Navy. In the vastly different conditions of to-day there can be no repetition of this pattern of world economic leadership, if only because no one country has, or can ever again have, the unquestioned economic ascendancy that Britain had. But it is still necessary to have some international, and preferably super-national agencies (such as those described below) which will at least maintain stable exchange rates and promote lending abroad by those countries which can afford to do so.

### *Bretton Woods*

Without some such mechanisms as the International Monetary Fund and the International Bank for Reconstruction and Development contemplated in the Bretton Woods Agreement (drawn up at a forty-four-nation conference at Bretton Woods in New Hampshire in July 1944) free multilateral international trade could certainly not flourish. Exchange rates must, for instance, be kept reasonably stable: naturally no New York trader would take many risks on the British market if the dollar-sterling exchange rate was bouncing about so that the dollar was worth five shillings one month and three shillings the next. Hence the International Monetary Fund, whose purpose is to keep exchange rates reasonably stable. The Fund takes the place, and improves upon, the Anglo-French-American Tripartite Monetary Agreement of 1936, which in its turn took the place of the Gold Standard.

It is easy enough to fix an exchange rate, but very difficult to keep it fixed—because this means keeping international balances of payments in equilibrium. But the International Monetary Fund can at least provide a buffer. If Britain, say, has an unfavourable balance of payments it will be able to obtain foreign currency from the Fund up to the limits of its own sterling quota in the Fund and can devalue by 10% without, and a further 10% with, the permission of the Fund. But the responsibility for adjustment will not in this case rest only on Britain; there will also be an obligation on other countries—*e.g.*, the United States—to expand imports from Britain in order to correct the British balance of payments. And if the Fund's holding of dollars dropped sharply because the United States was exporting more to all countries than it was importing and failing to lend adequate sums abroad, dollars would be officially declared "scarce", and Britain would then be at liberty to discriminate against dollars.

The International Bank for Reconstruction and Development can serve as a most valuable instrument for giving capital assistance to countries with low standards of living. No function

of any of the U.N.O. agencies could be more important than this.

The Industrial Revolution, which has transformed the lives of all of us in Britain, the United States, the Soviet Union and a few other countries, has yet barely touched the greater part of the world's population. China, India, South-East Asia, Africa await the industrial development which alone can raise their peoples from the starvation standard, and this industrialisation will at best be long-drawn-out unless the temporarily more advanced countries assist with the loan or gift of capital equipment and technical advice. Here the Bank can help partly by direct lending, partly by guaranteeing normal foreign loans; its total loans and guarantees cannot, however, exceed its total capital of £2,500 millions (\$10 billions). But despite this over-cautious limitation, if the Bank has a bold policy for the various forms of lending it can greatly improve living conditions in countries which are at present intolerably short of capital, and stimulate individual nations to follow up with additional loans. Once again, however, its success will largely depend on what happens to international trade generally, and this depends on what happens to employment levels in the principal trading countries.

#### INTERNATIONAL TRADE ORGANISATION

Far and away the most vital of the documents arising out of the Anglo-American negotiations in Washington was that entitled "Proposals for Consideration by an International Conference on Trade and Employment", which provided, amongst other things, for a United Nations International Trade Organisation. This I.T.O., with its own secretariat, would have many jobs to do. It would, for example, bind its members to limit most forms of trade subsidies; it would concert measures for preventing restrictive business practices "such as combinations or agreements to fix prices and terms of sale, divide markets or territories, limit production or exports, suppress technology or invention, etc."\*; it would approve international commodity agreements. State trading would be allowed provided it was non-discriminatory. Quantitative trade restrictions would eventually be eliminated.

But the really tough issues are not these. The really tough issues are tariffs and, overshadowing all else, employment policy.

\* Cf. Mr. Bevin at the 1945 Blackpool Conference of the Labour Party:—

"But one thing you must fight is the policy that went on not only in this country but all over the world, by international combines, limiting production and using scarcity to keep up prices."

The Washington Proposals provide that "members should enter into arrangements for the substantial reduction of tariffs, and for the elimination of tariff preferences, action for the elimination of tariff preferences being taken in conjunction with adequate measures for the substantial reduction of barriers to world trade". This means that Imperial Preference should go, *but only in exchange for substantial reductions in American tariffs*. To such a policy there will be no doctrinal objections from the Labour Party, which has always favoured tariff reduction. Thus the 1944 Report of the National Executive Committee on Full Employment and Financial Policy stated that "the barriers to trade had grown too high in the capitalist world before the war. The channels of exchange were choked and congested." It called for "the progressive and mutual reduction of tariffs and other impediments, such as import quotas, to the exchange of products between the nations".

No action can, however, be taken except in consultation with the Dominions and after consideration of Colonial interests. A Dominion like Australia may find it cannot at once find any alternative market for certain produce which it used to sell in the sheltered British market. Rhodesian tobacco-growers or Kenya coffee-growers may be driven out of business if they have to face free competition from the United States and Brazil. For such cases special arrangements will have to be made. But the Dominions may well be ready to abandon Imperial Preference in return for *substantial* reductions in the protective tariff walls around the United States.

### *Employment the King-Pin*

"The attainment of approximately full employment by the major industrial and trading nations, and its maintenance on a reasonably assured basis, are essential to the expansion of international trade on which the full prosperity of these and other nations depend."

Those are the key words in the Washington Proposals, and a massive recognition of the economic interdependence of the world. For if any great trading nation is ever again stricken by serious unemployment it is certain that the International Monetary Fund, the International Trade Organisation and probably the greater number of U.N.O.'s economic agencies will crash. When this statement is repeated anywhere in the world the speaker has in mind not Soviet Russia with its planned economy and steady full employment, nor the countries of Europe with



their managed economies, but that country, the United States, which is still the fortress of private enterprise. There is no iron-bound certainty that Britain will maintain full employment, but at least the Labour Government is seriously preparing its anti-slump plans, as described in Chapter III. Has the American attitude changed one half as much as the British? How will the inflation that is following the scrapping of price control be prevented from degenerating into deflation? In what way are the plans to be followed if there is a threatening slump different from those that were pursued by the Hoover Administration? Those are the questions the world is anxiously asking.

It is not difficult to see why British Labour is so concerned that the right answers are given. Look back to 1929. The Labour Government was brought down by the Great Depression, which started its dreadful course in the United States. The slump, beginning with the Wall Street Stock Market crash in September 1929, paralysed the powerful American economy, and in three years had reduced U.S. industrial production, itself responsible for a very large part of total world production, by about 50%. The effects were shattering; it was as though the economic heart of the world had grown feeble and faltering. Americans had less to spend on American goods, and of course they had less to spend on foreign goods as well. The result was that, as described in an admirable U.S. Department of Commerce publication, *The United States in the World Economy*, U.S. imports fell off by 30% from \$4,399 millions to \$3,061 millions between 1929 and 1930, and continued downwards. Everywhere the shock was felt. British textile factories which had been producing for the American market were, for instance, suddenly without orders, and thousands of weavers were thrown out of work. The U.S. bought less rubber from Malaya, and the Malayan demand for British trucks was consequently reduced; automobile workers in Coventry were given their cards and sent off to the Labour Exchange. British and Malaysians and others had less to spend on U.S. exports, which fell by 70% between 1929 and 1932. Americans then bought less from France, France less from Czechoslovakia, Czechoslovakia less from Austria, Austria less from Britain. Round and round it went. The waves of economic disaster flowed out from the United States and brought unemployment and deepened poverty to almost every trading country. In 1931 there were 50 millions jobless in the world, and between 1929 and 1934 the value of international trade fell by 64%.

Most nations were eventually forced off the gold standard by these catastrophic events, and the next step was to raise tariffs.

Tariffs were imposed to keep up home employment in certain industries. As a result, for example, of the British tariffs of 1931, American goods on the British market were made more expensive; British imports of American goods were reduced and replaced by British goods, whose manufacture gave employment to additional British workers. Nation after nation, in an attempt to protect its own employment level, clamped on tariffs. Worse than that, each did everything possible to steal export markets: if American or French or Swedish exports could be increased by subsidy or any other method, then additional American or French or Swedish workers were employed making them. These beggar-my-neighbour policies were designed to make one country rich at the expense of making everyone else poorer. When countries tried to boost exports artificially they were in fact exporting their own unemployment elsewhere. No wonder that each country tried to protect itself against such an odious witches' gift. No wonder that economic and political nationalism was rampant.

The same consequences might well follow another U.S. slump. It is no exaggeration to say that the future of international economic, and political, co-operation depends on what happens to internal employment levels in the United States. That is why, in the words of an American, Professor Alvin Hansen,\* "the whole world is eagerly watching the progress of post-war policies in the United States. World security and world peace depend in a very fundamental sense upon how good a job we do in managing our economy. Prosperity and full employment in the United States are a basic pre-requisite to world political and economic security."

Britain for its part would be most vulnerable of all nations to an American slump, since it depends for its life on exports and has such a great proportion of its labour force engaged on export production. Britain would be compelled not only to take the steps mentioned in Chapter III but would also have to try to revive the sterling area, open only to nations which not only were pledged to, but did actually, maintain full employment. The full-employment "club" would be open to the Commonwealth and Empire, Soviet Russia, Scandinavia, and most of the nations of Western and Eastern Europe, all dedicated to full employment and expansion of trade within the club, but not between members of the club and outside nations which were unwilling or unable to take the steps needed to maintain full employment. But such a club would be a sad second-best to a world-wide association such as can be formed under the auspices of the new International Trade Organisation.

\* *America's Role in the World Economy*. Allen & Unwin, 1945, 8s. 6d.

## CHAPTER IX

### COMMONWEALTH AND EMPIRE

“THE TASK which faces the Labour Party in Britain, as in other imperialist countries, is more complicated than that which has to be dealt with by Socialists in those States with little or no possessions overseas. While, on the one hand, it is the protagonist at home of the struggle of the workers against the Capitalists, it is, in relation to the less developed peoples of the world, part of a dominant race which collectively exploits them.”

With these words, Mr. Attlee \* outlined the problem of the anti-imperialist socialist Government of a country with imperial power, a problem which the Labour Government is tackling with energy.

Socialists have always been passionately opposed to imperialism. Socialists denounce any exploitation of one man by another. Exploitation of a coloured by a white man cannot be any more excusable than exploitation of one white man by another. But a Labour Government in power must have a detailed policy, and that is what this chapter is about. It is a vital matter because the welfare of ten times as many people as live in Britain will depend on what is done. And the record of the Government may well be judged by the world more by what is done in the Empire than by what is done at home.

The first point to be clear about is that although the British Empire may all be coloured imperial pink on the map, it is made up of at least three main groups of countries. There are the self-governing Dominions, usually known as the British Commonwealth; there is the Indian Empire; and there are the Colonies, which include mandated territories. There are four Dominions—Canada (11·5 millions), Australia (7·3 millions), South Africa (11 millions, of whom only 2·2 millions are white), and New Zealand (1·6 millions). Newfoundland, at one time a Dominion, was in such desperate economic straits in 1933 that its Govern-

\* In *The Labour Party in Perspective*. Gollancz, 1937

ment requested the United Kingdom Government to take over responsibility; but Mr. Attlee announced in December 1945 that an elected National Convention was to make recommendations on the future form of government, which was then to be submitted to the people at a national referendum. India has a population of 400 millions—one-fifth of the human race. Then there are over fifty Colonies with a total population of about 70 millions, ranging in size from the Falkland Islands with 3,091 people (in 1937) to Nigeria with 20,476,795.

### THE DOMINIONS

About the Dominions there is no special problem for a Labour Government. Surprising as many people outside Britain may find it, the Dominions are genuinely independent, and do in fact govern themselves. The Government of the United Kingdom has no more control over the Canadian than it has over the French Government.

There were at least some Englishmen who learnt the lesson of the American Revolution. Before the 1780's British policy towards the American and other Colonies was that "if the economic interests of any part of it clashed with those of England the former must be sacrificed". Shocked by the success of the ill-armed "Colonials" under George Washington against the regular mercenaries of the British Army, Englishmen began to realise that in the long run it was useless to try to exploit white, if not native, settlers, or to hold out against a determined bid for independence on the part of white settlers who had moved in force to one of Britain's Colonies. Even so, it was not until nearly a century later—in 1867—that independence was granted to the Dominion of Canada. Australia followed in 1900, New Zealand in 1907, South Africa in 1909 and Eire (then the Irish Free State) in 1922. Up till 1931, however, it would have been possible for the Parliament of the United Kingdom to legislate for one of the Dominions over the head of the Dominion Parliament. In that year the British Parliament passed the Statute of Washington, which finally formalised the complete legal independence of the Dominions. Since that time it is the Dominion Governments which make war or peace and which have the power to secede if they wish; Canada could, as far as law goes, secede to-morrow from the Empire and become a 49th State of the U.S.A.

The reality of this independence is shown by the action of Eire in remaining neutral throughout World War II at great cost

to the British Government. It was even unable to use much-needed Irish bases for its anti-U-boat forces in the Western Atlantic, and could do nothing to prevent the German and Japanese Embassies in Dublin passing on information about Anglo-American operations. Nor would anyone who was at the San Francisco Conference of the United Nations and saw Mr. Evatt, Australia's doughty delegate, leading the fight of the small nations against Big Three domination, question Australian independence.

The tie between the countries of the Commonwealth is not formal although there are consultations on important policy matters. Rather is it a tie of kinship, language, like-mindedness, and common citizenship: in peace-time any Canadian or Australian or person from any Dominion or elsewhere in the Empire could come to Britain to work or visit, and any British subject could move about within the Empire with a marked absence of restriction, standing in favourable contrast to the rest of the world. Indeed, it is not unfair to claim that in some ways the Commonwealth—that is the Dominions—is an example to the world of international co-operation in practice. Mr. Attlee hopes the Commonwealth will develop into “an economic and political federation that may show an example of how such a relationship can be extended to cover all those countries which are ready to share in collective security and the pooling of economic resources”. The relationship between Britain, Australia and New Zealand has become specially close now that all three countries have Labour Governments embarked on broadly similar programmes.

#### DEPENDENT EMPIRE

One central proposition would probably be widely accepted in the Labour Party, and that is that we, the British, have no moral right to rule either India or the Colonies. British rule often, but not always, has originated in conquest of the local inhabitants. Sometimes the British have been invited to act as Protectors. Sometimes Colonies have been picked up as a by-product of victory in a European war. Sometimes they have been purchased; Sierra Leone, for instance, was bought in 1787 for £30. But always, however indirectly, British rule has rested on the threat of force, which has been unfailingly invoked when necessary to keep “order”.

#### *Low Standards of Living*

British rule might have some justification if it had demonstrably

brought great economic and social benefits to the conquered countries. Has it?

Let Mr. Brailsford speak of the advantages Britain has brought to India, which likewise apply to many of the Colonies.

“British rule [he says in *Subject India*] brought a new security, internal and (save on the North-West fringe) external peace, immunity from brigandage, civil war and invasion. That is an economic gain which means something in income for every Indian and something, in the opportunity to accumulate wealth, for the whole nation.”

Everywhere British civil servants have also introduced in-corrup administration and impartial justice.

Yet there is too little cause for pride in the state of India and the Colonies to-day. Britons have ruled India for over 400 years. But in 1931-32 the average income per head in India was Rupees 62 or £4 13s.; there has been a substantial increase of national income since then, but this has been largely swallowed up by an offsetting increase in population, rising at the colossal rate of 6 millions a year. The greater part of the Indian people suffered and still suffers from chronic malnutrition on a starvation diet; health is so poor that the average expectation of life at birth was only about twenty-four years, as compared with fifty-four in Britain. Diseases like malaria are rampant. And education, which could provide the mental tools for ending this ghastly poverty, has been entirely absent or extremely primitive: only 18% of the Indian men and 2% of women are able to read or write. The Colonies are in like state: their one common quality is their frightful poverty.

Of course, it is possible that, bad as the conditions are, they would have been even worse had Britain not exercised political control. Who knows whether India would have progressed further if there had been no British Raj? Certainly independent China was in no better state before Japan attacked it in 1931 than was subject India. Independent Abyssinia or Liberia (in effect dominated by the Firestone rubber interests) were quite as poor as Britain's African colonies. None was immune from foreign business exploitation.

It may be that extreme poverty could have been banished from the dependant Empire, with its great natural wealth, if its development had been carefully planned and energetically carried out. But how could British Governments, which regarded planning as anathema, be expected to behave so differently in the Colonies? No, the British Civil Servants were inclined to act

like their brothers at home: although they did positively discourage local capitalism, their main job was to keep the peace and administer justice. Economic development was left to private companies, though in the Colonies the effects were worse because there were no Trade Unions, no labour laws and practically no taxation. Colonial Civil Servants came fresh from their classical education at Oxford and Cambridge, knowing nothing of business or economics or science. And the Indians or Africans who went to Britain were encouraged to imitate the English way and studied classics or law instead of agriculture, the natural sciences, engineering or economics, and so failed to gain the knowledge which their own countries most needed. In this wise *laissez-faire* spread its enervating doctrine throughout the Empire.

### *Colour Prejudice*

One of the gravest charges that can be made against the British in the Empire is that they have talked so blandly and so infuriatingly to their subjects about the white man's burden and about their civilising mission, and have had such a deep sense of their superiority to the peoples whom they dominated. The Englishman's race prejudice, especially towards the more educated members of the subject peoples, has caused untold humiliation and agonising frustration. Sir Thomas Monro, one-time Governor of Madras, saw the root of the trouble as far back as 1817, when he said that while other conquerors had been violent and cruel, "none has treated the natives with such scorn as we". Brailsford tells a story which must be typical of thousands of similar conversations:

"Within an hour of embarking on the P. & O. liner for Bombay, in 1930, a lady of considerable assurance, who told me that she had lived eighteen years in Poona, flung at me the question, 'Why don't they shoot Gandhi?' She went on to explain that 'the whole trouble in India has come about because the Government wouldn't let us beat our servants. It's the only thing they understand.'"

In India, despite such sentiments, the people are at least legally equal to the white man, and have had sufficient political freedom to enable them to campaign successfully for independence. But in some African Colonies whenever white settlers have come in any numbers, natives' legal, let alone real, rights have been in peril. The Colonies in question are Kenya, with 32,000 Europeans amidst 3,800,000 natives, and Northern

Rhodesia, with 19,000 Europeans and 1,400,000 natives, while self-governing Southern Rhodesia (82,000 Europeans and 1,600,000 natives) is like the Dominion of South Africa (2,200,000 whites and 8,800,000 non-whites) in that only the whites have civil rights and effective representation. In these places the natives have been driven from their own land and herded into barren reserves or stark mining-compounds, while their wives and children remain to scratch a living out of the soil without the aid of their menfolk. In these places the natives have been refused access to education and forced to pay taxes, proportionately to income many times higher than the white men, out of a miserable wage whose standard level is 10s. a month. The natives are not allowed to travel in the same bus, or walk on the same pavement, or live in the same part of a town as the high-and-mighty men who were lucky enough to be born with white skins.

Indians, or Africans, would not be human if they did not have a burning sense of resentment about being treated in this way by the superior white sahib. It is this resentment, probably more than anything else, which feeds nationalism with passion and hatred. And this passion would not necessarily disappear, in India or the Colonies, if the British rule ended to-morrow. That is why it is so dangerous. Here was the bitterness of Asia which the Japanese were at pains to inflame and the mood which could conceivably, before the twentieth century is ended, lead to fierce and unshakable hostility between Asia and the West. Britain's responsibility is great. If it generously assists an independent India and Burma, and Colonies swiftly marching on the road to independence, to fight ignorance and poverty, the edge may be taken off Indian and Colonial antagonism. To discharge that responsibility is the great task of the first Government that Britain has ever had which is opposed in principle to imperialism. The Labour Government now has a magnificent chance to go some way towards retrieving the failures of the past.

### INDIA

India, with its 400 million people, is the major test. Here there is no doubt about what should be done. In the words of Labour's 1945 Election Manifesto, *Let Us Face the Future*, Labour stands for "the advancement of India to responsible self-government". And the form of the future Indian Constitution must be settled by the elected representatives of the Indian people, as proposed by the 1942 Cripps Plan, which was so nearly accepted by the Indian leaders. The Labour Government has been working with great determination to achieve these ends ever since the General



Election. Its main task has been to smooth out the differences between Hindus and Muslims.

The divisions between Hindus and Muslims have long been stressed by British Tories as the main barrier to Indian self-government. That these divisions do exist is quite undeniable. In India there are about 90 million Muslims, while the bulk of the remaining 300 or so millions are Hindus. Most of the Muslims feel themselves a separate group with their own special outlook and ideas derived from their own religion, whose principles are in sharp contrast to Hinduism: Islam, for instance, holds that all believers are equal, while Hinduism has been cursed by the institution of caste, enshrining inequality, which Gandhi has done so much to break down. But since people with religious differences almost as acute have managed to co-operate in other lands, why has religion so split the Indian people? One part of the answer lies in poverty: where conditions are so deplorable, those who suffer must find some scapegoat. The Hindu peasant blames his Muslim landlord, and attributes his greed to his religion, while the Muslim worker reacts similarly to his Hindu employer; employers have used the religious divisions to split their employees and prevent united action against themselves as surely as U.S. employers have striven to divide Negro and white workers. By and large, too, Hindus were the quickest to take advantage of Western education, and so were, to the resentment of less fortunate Muslims, first in the field for official and professional posts. Thus was the initial hostility between middle-class Hindu and middle-class Muslim fostered.

This rivalry became more acute after six elected Provisional Governments took office in 1937, for the new Governments, according to whether they were Congress or Muslim League, exploited patronage quite as ruthlessly as it has ever been exploited in the United States: Hindu ministers appointed only Hindu officials, and vice versa. The complaints were loud, the jealousy extreme. Then past British Governments have emphatically done nothing to abate the difference. Part of the trouble is that in 1909 the Morley-Minto reforms, which set up the first embryonic representative Government, provided for separate communal electorates: the adherents of each religion were, and still are, grouped in their own constituencies, returning representatives more or less in ratio to population. This scheme has accustomed the two groups to feel that, in politics, they are antipathetic.

There are two main political organisations—the Indian National Congress and the Muslim League. Congress is by far the most important. With its claimed membership of 6 millions

it is the unchallenged voice of Hindu India. The only rivals are the Hindu Mahasabha, which is as violent and chauvinistic about its religion as the Muslim League, and the separate party which Dr. Ambedkar has organised expressly for the depressed castes or untouchables. Congress also contains some Muslim members; its President during the critical negotiations of 1946, Dr. Azad, is himself a Muslim.

Opposing Congress is the Muslim League, under the leadership of Mr. Jinnah. Its strength is much more debatable than that of Congress. At the 1937 Elections it secured the return of only a quarter of the successful Muslim candidates. In several places the class division between landowners—employers and peasants—workers has supplanted the religious divisions. Several prominent Muslim leaders have in recent years resigned from Congress and joined the League, and the League is said to be attracting more and more of the young and progressive Muslims, who formerly regarded the League as the citadel of landowning reactionaries. The League certainly achieved success in the elections for the Central Legislature in December 1945, when it won all the Muslim seats, although in the Provincial Elections its expectations were disappointed.

Congress stands for an All-India Federation. Anything less than a Federation would be a disaster. If India were not united when it achieves freedom, it would at worst involve civil war, and at best take far longer to develop its great human and material resources. But the Muslim League contends that the Indian nation is a myth, and that there are in reality two distinct nations—the Muslims in a minority and the Hindus in a majority: it would therefore be insufferable for the Muslim nation to live in a Hindu-dominated State. Hence Pakistan, which would be a grouping of independent Muslim sovereign States in the North-west and in Bengal. It has even been suggested that there should be a “corridor” running through Hindu territory and joining the two Muslim States.

The very real Muslim fear of being dominated by Hindus must be recognised, but at the same time the objections to Pakistan are tremendous. Not only would it retard Indian progress for generations—the unified Indian communications system would, for instance, have to be disintegrated—but it would be immensely difficult to bring into being. In Bengal there is a strong Bengali consciousness, and there are in the Province 27 million non-Muslims against only 33 million Muslims. Even the North-west—Punjab, Sind and North-west Frontier—contains, in the Punjab, an important Sikh minority which holds to a form of  
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Hindu religion and in the area as a whole there are over 13 million non-Muslims against 22 million Muslims. Then Pakistan would be deficient in industry, especially if Calcutta and the Hindu West of Bengal, where there is some industry, were detached from Bengal, and would have to bear the full cost of the defence of the Frontier.

A further problem is that it would be far more difficult to assimilate the Princes' States in a divided India. There are 562 of these States, some tiny, some large, peppered about British India. They take in a third of the area of India and about 100 millions of its population. The races, religions and languages of their inhabitants are the same as in British India. But the government of the States is, with some great exceptions, almost always archaically autocratic. They must now become part of the future united democratic India.

#### *Labour's Initiative*

The object of the Labour Government has therefore been to establish an independent Indian Government in a *united India*, in which minority and local rights are fully respected. To obtain this object three members of the British Cabinet—Lord Pethick-Lawrence, Sir Stafford Cripps and Mr. A. V. Alexander—were sent out to India in March 1946. In explaining the purpose of the Mission, one of the most fateful in the world's history, Mr. Attlee said:

"My colleagues are going to India with the intention of using their utmost endeavours to help her to attain that freedom as speedily and fully as possible. What form of Government is to replace the present regime is for India to decide; but our desire is to help her to set up forthwith the machinery for making that decision. . . .

"I hope that the Indian people may elect to remain within the British Commonwealth. I am certain that she will find great advantages in doing so. . . .

"But if she does so elect it must be by her own free will. The British Commonwealth and Empire is not bound together by chains of external compulsion. It is a free association of free peoples. If, on the other hand, she elects for independence, in our view she has a right to do so. It will be for us to make the transition as smooth and easy as possible."

The Mission's first aim was to help Congress and the Muslim League to reach agreement about the future All-India constitu-

ion. But this proved impossible, and in May the Mission put forward its own proposals. This it was necessary to do, as neither the League nor Congress would be prepared to co-operate in forming a constituent assembly unless they had agreed in advance about the general nature of the eventual constitution. The Mission recommended that:

(1) There should be a Union of India, embracing both British India and the States, which should deal with the following subjects: foreign affairs, defence and communications; and should have the powers necessary to raise the finances required for the above subjects.

(2) The Union should have an executive and a legislature constituted from British Indian and States representatives. Any question raising a major communal issue in the legislature should require for its decision a majority of the representatives present and voting of both the two major communities as well as a majority of all the members present and voting.

(3) All subjects other than Union subjects and all residuary powers should vest in the provinces.

(4) The States will retain all subjects and powers other than those ceded to the Union.

(5) Provinces should be free to form groups with executives and legislatures, and each group could determine the provincial subjects to be taken in common.

(6) The constitutions of the Union and of the groups should contain a provision whereby any province could by a majority vote of its legislative assembly call for a reconsideration of the terms of the constitution after an initial period of ten years and at ten-yearly intervals thereafter.

Once this outline plan had been accepted by the two major communities constituting-making machinery would be set up and all the details worked out. The members of the constituent assembly would be drawn from the Provincial Legislative Assemblies in proportion to the population of each province, and the provincial allocation of seats would be divided among the main communities in proportion to their population.

The Mission also proposed that while the constitution-making proceeded the administration of India should be carried out by an interim Government having the support of the main political parties and consisting entirely of Indian leaders. But on this proposal the negotiations which followed the Mission's Statement broke down; the Muslim League refused to co-operate in the interim Government unless all the Congress representatives

were non-Muslim, and Congress likewise refused unless one of its representatives *was* a Muslim. Even so, the two parties, recognising that there must be a compromise to satisfy all points of view, did at the end of June accept the principles of the Mission's long-term proposals described above. Unfortunately, the Muslim League later on withdrew its acceptance and the interim government eventually set up consisted only of representatives of Congress. In spite of all the difficulties, it should now only be a question of time before India takes its own proud place among the nations of the world. It has been said that no class or country ever surrenders power voluntarily; the Labour Government of Britain has shown that, contrary to all precedents, this is not necessarily true, and in living up to its socialist principles has taken what future historians may well regard as the most significant step in its whole term of office.

### *Burma*

Burma, with its 17 million people, is by no means an appendage to India, as some people think it is, and as to some extent it was before the two were separated in 1937. The separation took place partly because Burma, to the regret of most Burmans, was becoming increasingly dominated by Indians, who undercut Burmese wages and built up powerful positions in merchanting and money-lending, as they have also tended to do in East Africa, parts of South Africa, British Guiana and other Empire countries.

In 1937 Burma received a new Constitution, with a House of Representatives consisting of 132 elected members and a Senate of thirty-six members, eighteen elected by the lower House and eighteen elected by the Governor. But the Governor retained much of the executive power, so that the Constitution was not as advanced as it appeared. Complete Dominion status was promised, but no date fixed. The result was that several Burmese leaders who wanted independence worked with the Japanese during the war.

The Labour Government announced its policy, through Mr. Henderson, the Under-Secretary for India, on November 2nd, 1945. He said that the Governor of Burma had set up a new Executive Council consisting of representatives of Burmese political opinion as well as officials of the Government. There would also be a Legislative Council of fifty members to consider legislation. It was emphasised "that it is the intention of His Majesty's Government to lead Burma to full self-government in the shortest possible time and in an orderly democratic manner".

The aim, said Mr. Henderson, was to secure full self-government certainly not later than the end of Labour's term of office.

### THE COLONIES

As far as Britain is concerned, there can be no other solution for India than immediate self-government. Does this also apply to the Colonies, where Britain's moral responsibility is just as great? Should they, too, be given self-government within Labour's first term of office?

Many of the Colonies are small and some comparatively isolated, and most are even less advanced, educationally and economically, than India. It is true that most of the peoples who inhabit Colonies were "independent" before the British came, and it might be asked why they should not return at least to the state of independence that they formerly possessed. The answer is that the advent of Britain has led to the breaking up of the tribal societies which the native peoples had lived under for tens of thousands of years. Western ideas have, for good and ill, been implanted. Primitive subsistence economies have given way to economies which are as surely part of the world economy as Britain's: production for export of cocoa or sugar or coffee or whatever it may be has become the staple of many Colonial economies. Large British companies have exploited their minerals, and to secure a labour force for the mines native land has been expropriated and money taxes which can only be earned through wage-labour been imposed. There can be no going back: the Colonies are set on the same course of economic development that has been followed first in the Old and then in the New World. But there are not yet enough educated and qualified native people to grapple with the further tasks of the evolution on which they are embarked. Then, if all the existing British administrators left a Colony like Northern Rhodesia, power would merely be handed over to a small group of white settlers, who would, if the experience of Southern Rhodesia or, worst of all, South Africa is any guide, have no concern for the rights of the native inhabitants.

Even where there are few white settlers, as in Gambia or Nigeria, the departure of the British Civil Servants would merely mean transfer of power to the tiny minority of educated Africans. In either case there would not be a democracy, but substitution of another and not necessarily more beneficial autocracy for the autocracy of the alien British administrators. There might merely be a series of "independent" Liberias, stricken with inefficient governors, struggling to survive in a world dominated by a few large powers whose effects on the

small Colonies would be no less merciless because they made no claim to political empire.

Critics of Britain will cry "Humbug" as soon as it is asserted that the Colonies are not yet ripe for self-government. Agreed that some Britons who have wept solemn crocodile tears over the white man's burden saw eventual self-government as likely to mature only in some distant never-never age. But Labour's attitude is different: the pace of advance towards democratic self-government can be, and is now in fact being, speeded up.

The pace cannot be the same in each case. Already the Colonies are at every phase of political development. Some are far advanced even now. In the case of Ceylon, for instance, the Labour Government has now formulated a new Constitution providing for universal franchise for both men and women and for a Parliament of Ceylon with complete powers except for Defence and Foreign Affairs. Jamaica is an outstanding example of a Colony which has practically graduated to complete self-government. The Constitution, introduced in 1944, establishes a House of Assembly, with every man and woman, Negro or white, entitled to vote—which is more than can be said of some Southern States in the U.S.A.

But most Colonies are not as fortunate as Ceylon and Jamaica. Over the greater part of Africa only a small percentage of the population is literate, political parties are almost non-existent and voting in a national election would be a mysterious process. But there are in nearly all Colonies Legislative Councils which pass legislation, vote money and have the right to criticise, although without control over administration. On these Councils there are nearly always native representatives. A Constitution has recently been adopted for Nigeria which gives African-elected members a majority, as does the new Constitution for the Gold Coast, although this majority is not wholly elected. Since the Labour Government took office, it has appointed native representatives to the Councils of Tanganyika and Uganda for the first time, and more are promised for Kenya. These Councils are a training-ground for self-government.

Many of the Colonies would be too small to stand up for themselves in the modern world if they were independent. Only Nigeria, with a population of over 20 millions, is of a substantial size; the Anglo-Egyptian Sudan,\* with nearly 6 millions, Ceylon, with 5½ million people, and Tanganyika, with just over 5 millions, come next. Of the other forty or so territories, most are tiny.

\* This is a condominium of the two countries, although in fact Egypt has taken little part in Sudan government.

The islands which were added to the Empire over the course of centuries because of their military value are nearly all small. It is therefore essential that, against the day of independence, Colonies should be grouped into manageable units. This began to happen in the war. In the West Indies, for example, an Anglo-American Caribbean Commission, which has performed a great service to the islanders, was set up by the British and U.S. Governments, and has since been expanded to include the French and the Dutch. The Commission has introduced an excellent innovation by holding annual West Indian Conferences, on which elected representatives of all the Caribbean territories sit. The next step is, as explained by the Colonial Secretary in the House of Commons on July 9th, 1946, for delegates from the Colonies to formulate proposals for political federation in the West Indies.

In December 1945, after the Labour Government had taken over, the Colonial Office stated that economic developments should be encouraged not for each territory but on a regional basis, especially in such areas as Malaya, East and West Africa and the West Indies.

“Colonial territories in close geographical proximity should find it of advantage, where development, research, communications, higher education, and several other services are concerned, not only to proceed with schemes administered separately by the territories themselves, but also to plan in regional terms.” \*

Proposals for a single Malayan Union have already been put forward by the Government. The Union is to consist of the nine Malay States formerly under the autocratic rule of Sultans, and the Settlements of Penang and Malacca. There will be a common Malayan Union citizenship for Malays, Chinese and Indians, and a central partially elected Parliament. The Colonial Office has also decided to set up an East African High Commission consisting of the Governors of Kenya, Uganda and Tanganyika, with a Central Legislature and civil service for the three Colonies. This departure may lead to the emergence before the end of the century of a new country called East Africa with a population of 10 million or more and growing rapidly. A similar West African Council has also been established, which should lead to the same result in that area. Here is what the recent Government Report

\* Colonial Development and Welfare. A despatch from the Colonial Secretary to Colonial Governments dated November 12th, 1945. White settlers in Kenya at once protested strongly because for the first time there are to be native members of the Legislature.



of the Commission on Higher Education in West Africa said about that area :

“Somewhere in West Africa, within a century, within half a century—and what is that in the life of a people—a new African state will be born. It will be strong. Its voice will be listened for, wherever there are Africans or African-descended communities, and that is to say both in the Old World and in the New. It will have a vital need for counsellors, its own counsellors. Now is the time, and the time is already late, to train them for their work.”

The principle of accountability to an international authority should be recognised by countries with Colonies not ready for immediate self-government. This was the object of the system of League of Nations Mandates created after 1918 for the Colonies of the ex-enemy countries of the last war. The Labour Party strongly supports this system. Its 1943 policy statement, *The Colonies*, declared that “the Mandate System in so far as it establishes this important principle of publicity and international supervision—the obligation of the Colonial Power to render periodically to an International Commission an account of the execution of its trust—should be extended to all backward colonial territories”. At the first session of U.N.O. the British Government offered to put its Mandates of Tanganyika, the Cameroons and Togoland under the Trusteeship Council.

### *Social and Economic Development*

In the case of the Colonies, the emphasis of policy on self-government is equalled by the emphasis placed on social and economic development designed to create the conditions for self-government and raise material standards; unless something can be done about Colonial poverty all else is hopeless.

There must be more adequate educational services. Labour's *The Colonies* advocated that elementary education should be made accessible and as soon as possible compulsory for all children of school-going age—a really colossal step according to Colonial standards—as well as a great extension of secondary, technical, higher and adult education. And education should not be copied from the West, but adapted to local conditions and designed to preserve what is best in native culture. For such a programme tens of thousands of new teachers and schools would be required. Universal education is the essential key to self-government, without which Colonies could never become fully democratic, even though independent. Health Services, too, are

ridiculously inadequate: there is one medical officer for every 60,000 people in Kenya Colony. And health will never improve until pests like the tsetse fly and the mosquito are eliminated, nutrition bettered and the people rehoused.

There are several vicious circles. Without education there cannot be economic development. Without economic development there cannot be proper education, since it is useless to teach half-starved children, and there must be a sound economic foundation for the social services. Without better health there cannot be extensive economic development, for the people's vitality is being sapped by disease. Without extensive economic development there cannot be better health, for better health presupposes better food and larger public revenues to sustain larger public medical services. Where to start?

One proposition is certain: to raise the productivity of the Colonial territories is a necessary condition of all other reforms. Productivity can be raised only by means of planning, and perhaps the greatest hope for the Colonies is that there is, for the first time in centuries, a British Government which believes that planning, on socialist lines, is the best means of getting things done. Planning must start with agriculture, on which the overwhelming majority of all Colonial peoples depend. Here are some of the vital steps foreshadowed by the Labour Party Report:

(1) The Report stressed that "the plan should aim at a balance between the cultivation of crops for export and of those for consumption within the territory". Colonies like the Gold Coast have specialised on one or a few cash crops, in this case cocoa, which is at the same time an export crop. The local producers have been at the mercy of monopolistic buyers and peculiarly vulnerable to any fluctuations in purchasing power in the major purchasing countries. Their food supply has deteriorated, as rice or tinned food very often had to be imported to take the place of the food formerly grown on the soil given over to cash crops. One of the chief aims of the plan must be to diversify Colonial agriculture by growing more and better food locally on the basis of a survey of nutritional requirements.

(2) The efficiency of agriculture must be raised. Training for African and other Colonial farmers should be provided by the Administration. Then "attempts should be made to increase efficiency by developing every kind of co-operative organisation—*e.g.*, for supplying credit, seed, agricultural implements and for marketing". Co-operation is the clue to more

efficient Colonial agriculture, and the Labour Government has urged Colonial Governments to develop co-operative credit societies, consumers' co-operative societies and co-operative marketing organisations. For cocoa, two local Boards, the Gold Coast Cocoa Marketing Board and the Nigeria Cocoa Marketing Board, are to be set up to buy cocoa from the native producers at a fair price which is kept stable from year to year; in this way producers will be protected from the violent price fluctuations which plagued them before the war.

For the production of some crops public authorities are to be fully responsible. Thus the Government is to develop production of groundnuts in Tanganyika, Northern Rhodesia and Kenya through a vast publicly owned undertaking. Likewise, a Cameroons Development Corporation is to be established under public ownership to run the banana plantations there in the interests of the local people.

(3) Colonial industry is at present of little importance, although in some territories the profits from mining would have substantially assisted local development if so much had not been skimmed off for absentee overseas investors. The Report stated that:

"The exploitation of mineral wealth by private profit-making enterprises in Africa, more often than not, has been detrimental to the economic and other interests of the natives, and in future the object should be to bring it under State ownership and control everywhere. It is essential that a fair share of the profits and royalties derived from large-scale industrial enterprise and mining, whether publicly or privately controlled, should accrue to the peoples and Administrations of the territories in which the industrial operations or exploitation of wealth take place."

The Labour Government has come out in favour of the ownership by Colonial Governments of all mineral rights in the Colonies. A larger share of the proceeds of mining will be retained in the Colonies by means of royalties and taxes so that Colonial revenues will, with the aid of high personal income taxes, be larger than ever before. Colonial Governments are also to own and operate mines wherever appropriate.

New industries, particularly agricultural processing industries, are being encouraged by the Labour Government. Electric power is also to be developed. In the case of Nigeria, for example, a proposal to establish a Government-owned electricity corporation has been approved.

### *Colonial Development*

Such a plan would take far too long to mature if the Colonies had to rely on their own unaided resources. That is why Britain must help. Britain has, it is true, invested capital in the Colonies before now. Too often profits or interest, in the case of loans, have had to be paid in consequence, and the Colonies have had to distort their meagre economies to secure the exports to pay the interest. The only proper course, especially for the many projects of development which are by no means commercial, is to make a gift of the capital, not out of sheer unselfishness, but in the knowledge that in the long run world prosperity is indivisible. This was the principle embodied in the Colonial Development and Welfare Act of 1945, which raised the total amount available for Colonial grants to £120 millions over the next ten years. Soon after the Labour Government was elected all Colonies were asked to prepare ten-year development plans and make applications for grants to the Colonial Office, which has allocated the money between the different purposes and territories.

The funds must not be used in a patronising way, as though gifts from it represented sheer charity. Nor must the money be applied only to make up for the non-payment by rich Colonials of reasonable taxes; income tax in the Gold Coast—a typical case—is 3*d.* in the pound. Taxes on white settlers and business men and companies should be brought into line with British rates, and then Colonial Governments could generously add to what is provided under the Colonial Development and Welfare Act; it may be that more than £250 million would thereby become available for Colonial development in the next decade, quite apart from contributions from the world investment pool. Even this sum is not large in relation to the needs, and there will have to be careful planning to ensure that the best possible value is gained for each pound spent. More might be done in the creation of development boards which would plan whole areas in a unified way on the model, say, of the Tennessee Valley Authority.

One final word: This planning must, in consonance with Labour's fundamental beliefs, be democratic. No doubt if the Nazis had possessed the British Colonies they would have imposed a ruthless but complete plan for developing their economic resources in the interests of the Wehrmacht. That will not be the British way. Only if the local inhabitants participate in the planning will they get the essential training for self-government. What is more, the experience of the T.V.A. shows that planning which is imposed is inefficient: planning which associates those

who stand to benefit with its working and which does not rush on to ideal solutions until those affected are ready to co-operate is the only really efficient planning.

### *What is Labour's Goal?*

British Governments have been so often and so justly accused of insincerity on account of their imperial policies that the whole subject has been most embarrassing for Britons. There has been so much vague talk about self-government—there were official statements about Indian independence at the beginning of the nineteenth century—and so little action. But in the war years, which changed so much in British life, hopeful signs of far-reaching changes of outlook towards the Empire became evident; it now rests with the Labour Party, which has done a great deal in the last twenty years to bring about a new attitude, to continue resolutely with the reforms it has already in its first year begun to launch. In this way Labour can demonstrate that it is not so much concerned about the political power and prestige which have usually motivated princes and statesmen, as about the wishes and interest of the many indigenous peoples.

For India there is only one possibility—immediate self-government; and after that the future of India's 400 millions will depend on India's independent government, which may freely co-operate with Britain from choice, but never again from compulsion. But there is still a chance for Britain to show what it is really able to do in the Colonies. Success will involve socialist planning, assistance with capital and technical advice, and the rapid erosion of the colour prejudice, which is a vicious anachronism in the world of to-day. Of no less importance is the calibre of the Britons who go out to the Colonies, and the Government is now starting to reorganise the Colonial Civil Service.

But if Labour's policy can be converted into fact a gigantic new experiment in world co-operation will be under way. The phase of political nationalism which has so far attended the development of every country may then be skipped. The former Colonies may be grouped during the third quarter of the twentieth century in independent socialist Dominions ruled by Africans, West Indians, Chinese, Indians, Singalese, Burmese and Malayans, all freely co-operating for their own benefit in the British Commonwealth of Nations, including the present white Dominions. It would then only be for the specifically British connection to be dropped and for the whole to merge into a World Commonwealth of Free Nations.

## POSTSCRIPT: THE NEW BEGINNING

WHY DID Labour win at the General Election? Mr. Jim Griffiths, the Minister of National Insurance, gave this explanation. "I went down", he said in the House of Commons on February 6, 1946, "to speak at my native village after the Party Conference at Bournemouth (in 1940). We had decided there to enter the Government and see the war through. I went down to explain why to my old collier 'butties'. After my speech an old collier came to me and said, 'Yes, you are right. We have to see this thing through to the bitter end. But', he added, 'let me ask you —after this, what?' And behind that 'But' and that question were memories, bitter memories of the insecurity and poverty and the frustration of the inter-war years. Behind that question was a grim resolve never to go back to the bad old days, nor to return to the futile old ways. It was that 'what' that won the General Election last July."

So Labour was returned to power by the colliers, steel-workers and soldiers, by the mechanics, drivers and airmen, by all those who had known poverty and insecurity in peace and who welcomed the big changes demanded by the Labour Party. The extent of the hopes of these people underlined the greatness of Labour's responsibility.

On the other side there were some Tories who, for quite different reasons, were just as glad that Labour had achieved a majority. The next few years, they said, will be so trying as to break any Government. Britain has been bled white by this war and it will take many years to recover. There will be few new houses, there cannot be many for years. There will be few goods in the shops and people will be far less ready to put up with shortages once the war is over; just think what the women will be saying in the queues in the Winter of 1946-47. There will be less coal than ever and more shivering-cold people cursing the Government. Goods will have to be imported and we shall have to export a sizeable part of our precious output overseas; that will not be popular. And just look at the trouble that there will be in the world; it's blowing up now in Indonesia, Greece, Egypt, Palestine, India, Germany. This country's ended the war in a pretty mess and I would not like any Conservative to have to sort

out these foreign tangles. Certainly not. This is the time for good Conservatives to go into opposition, attack the muddle-headed Labour Government for everything it does, good or bad, and wait until, after the first difficult year or so is past, the country is in such a jam that Labour is thrown out of office and we Conservatives are once more brought back in triumph to save Britain from red ruin. . . . That was a view held by some Tories. I doubt whether so many hold the same opinion in the second year of Labour Government.

It is true, of course, that their diagnosis of the situation was partly right. Massive problems would have faced, and severely tried any Government. Internationally, there was certainly little cause for satisfaction. The magnitude of one of the most formidable of the problems—the world food shortage—has become greater and greater as the time passed. Britain's own supplies of wheat from abroad were consequently reduced while simultaneously Britain sacrificed part of its own stock to help European countries, whose plight was yet worse than its own. And finally, the Government, almost at the end of its first year of office, in July 1946, had to introduce bread rationing as a precaution against any further reduction in supplies. The Tories thought they saw their chance to make political capital out of the world's misfortune by discrediting the Government in the eyes of the harassed housewives who had experienced at first hand the pinch of shortage. They blamed the Government for shortage of bread as of other goods; this was the recurring theme of Opposition speeches. But their campaign was largely ineffective because their policy of no controls was so clearly the specific for extreme unfairness in distribution of scarce goods; and on the other hand the Labour Government had shown itself so successful in dealing with the immediate problems of the day and in laying the foundations of the new society of democratic socialism.

Civilian production was rising rapidly, although there were black spots. The industries which were cut down in the war were progressing less fast than the industries which had been engaged on munitions. In the latter case reconversion was, under the guiding hand of the Government, astonishingly rapid but in building materials, foundries and textiles—industries with comparatively bad working conditions—there was, as with coal, not enough labour to produce the goods that were needed. Yet, overall, the progress made was satisfactory and towards the end of Labour's first year the citizen began to see the first fruits of the housing programme, and the consumer to notice that certain goods unobtainable before were now appearing in the shops.

Shortages there certainly were. But the working of Government controls prevented these shortages from being shamelessly exploited for gain as they would undoubtedly have been had a Tory Government been in power. Price controls enforced price stability for a very large number of the articles entering into the consumption of the ordinary family. Rationing ensured that everyone got their fair share. Priorities were generally observed with remarkable success: the rich were unable to divert much labour or material to the satisfaction of luxury needs: instead the things that needed doing most were on the whole done first. Exports, one of the essential priorities, bounded high, and people were prepared to recognise that by and large a good job had been done in getting the productive economy of Britain back into working trim.

While the Government was grappling with these vital day-to-day problems, it was also introducing long-term reforms on an unprecedented scale. Inequality in the distribution of income and power was reduced. Legislation was passed to bring key industries under the control of the people by nationalising the Bank of England, the Coal Industry, Civil Aviation and Cable and Wireless. Far-reaching National Insurance legislation was carried through. The National Health Service Act became law. But these were only the outstanding measures passed by the most hard-worked Parliament in the history of Britain. By June, as Mr. Attlee was able to tell the Annual Conference at Bournemouth, Labour had introduced seventy-three Bills and fifty-five of them had already become law. By putting in overtime, Ministers, the Civil Service, and the House of Commons managed in the short space of a year (as described in previous chapters) to change the face of Britain in a way that had never been done before in an equivalent time. The effect of these measures has not yet been fully felt; it will be later. Then the colliers, the steel-workers and the soldiers, as well maybe as many who did not vote Labour, will realise that Labour's first year of office marked a new beginning for the British people and that at last the common man was getting a fair deal.





